



**NOTICE OF A
REGULAR MEETING OF THE
CALOPTIMA BOARD OF DIRECTORS'
FINANCE AND AUDIT COMMITTEE**

**THURSDAY, SEPTEMBER 19, 2019
2:00 P.M.**

**505 CITY PARKWAY WEST, SUITE, 108-N
ORANGE, CALIFORNIA 92868**

BOARD OF DIRECTORS' FINANCE AND AUDIT COMMITTEE

Lee Penrose, Chair

Ria Berger

Scott Schoeffel

CHIEF EXECUTIVE OFFICER

Michael Schrader

CHIEF COUNSEL

Gary Crockett

INTERIM CLERK OF THE BOARD

Sharon Dwiars

This agenda contains a brief description of each item to be considered. Except as provided by law, no action shall be taken on any item not appearing on the agenda. To speak on an item, complete a Public Comment Request Form(s) identifying the item(s) and submit to the Clerk of the Board. To speak on a matter not appearing on the agenda, but within the subject matter jurisdiction of the Board of Directors' Finance and Audit Committee, you may do so during Public Comments. Public Comment Request Forms must be submitted prior to the beginning of the Consent Calendar, the reading of the individual agenda items, and/or the beginning of Public Comments. When addressing the Committee, it is requested that you state your name for the record. Address the Committee as a whole through the Chair. Comments to individual Committee Members or staff are not permitted. Speakers are limited to three (3) minutes per item.

In compliance with the Americans with Disabilities Act, those requiring accommodations for this meeting should notify the clerk of the Board's Office at (714) 246-8806, at least 72 hours prior to the meeting.

The Board of Directors' Finance and Audit Committee Meeting Agenda and supporting documentation is available for review at CalOptima, 505 City Parkway West, Orange, CA 92868, 8:00 a.m. – 5:00 p.m., Monday-Friday, and online at www.caloptima.org.

CALL TO ORDER

Pledge of Allegiance

Establish Quorum

PUBLIC COMMENTS

At this time, members of the public may address the Committee on matters not appearing on the agenda, but under the jurisdiction of the Board of Directors' Finance and Audit Committee. Speakers will be limited to three (3) minutes.

INVESTMENT ADVISORY COMMITTEE UPDATE

1. Treasurer's Report

CONSENT CALENDAR

2. Minutes
 - a. Approve Minutes of the May 16, 2019 Regular Meeting of the CalOptima Board of Directors' Finance and Audit Committee and the May 22, 2019 Special Meeting of the CalOptima Board of Directors' Finance and Audit Committee
 - b. Receive and File Minutes of the April 22, 2019 Regular Meeting of the CalOptima Board of Directors' Investment Advisory Committee

REPORTS

3. Consider Recommending that the Board of Directors' Accept and Receive and File Fiscal Year 2019 CalOptima Audited Financial Statements
4. Consider Recommending the Board of Directors' Adopt Resolution No. 19-1003-01 Amending Resolution No. 12-0301-01 to Amend CalOptima Policy GA.3202: CalOptima Signature Authority
5. Consider Recommending Board of Directors' Approval of Reappointments to the Board of Directors' Investment Advisory Committee
6. Consider Recommending Board of Directors' Authorization to Issue a Request for Proposal(s) for CalOptima Real Estate Related Services
7. Consider Recommending Board of Directors' Authorization of Expenditures in the CalOptima Fiscal Year 2019-20 Operating and Capital Budgets for Various Information Services Items
8. Consider Recommending that the Board of Directors Authorize Employee and Retiree Group Health Insurance and Wellness Benefits for Calendar Year (CY) 2020

INFORMATION ITEMS

9. July 2019 Financial Summary
10. CalOptima Information Security Update
11. Quarterly Operating and Capital Budget Update

12. Quarterly Reports to the Finance and Audit Committee
 - a. [Shared Risk Pool Performance](#)
 - b. [Reinsurance Report](#)
 - c. [Health Network Financial Report](#)
 - d. [Contingency Contract Report](#)

COMMITTEE MEMBER COMMENTS

ADJOURNMENT

**Board of Directors' Finance and Audit Committee
September 19, 2019**

**Quarterly Treasurer's Report
April 1, 2019, through June 30, 2019**

Overview

To fulfill the requirements of Government Code section 53646, subdivision (b) and the 2019 Annual Investment Policy adopted by CalOptima's Board of Directors on December 6, 2018, the Treasurer submits this quarterly investment report for the period April 1, 2019, through June 30, 2019.

Meketa Investment Group, Inc., completed an independent compliance review of the monthly investment reports prepared by CalOptima's three (3) investment managers: Logan Circle Partners, Payden & Rygel and Wells Capital. The review found that all investments were compliant with Government Code section 53600 *et seq.*, and CalOptima's 2019 Annual Investment Policy.

Portfolio Summary

As of June 30, 2019, the market values of the Short-Term Operating and Restricted Reserve portfolios are as follows:

	Payden & Rygel	Logan Circle	Wells Capital	Total
Short-Term Operating	\$308,843,857	\$289,284,749	\$299,063,966	\$897,192,572
Board Designated Reserves				
Tier 1	\$153,492,886	\$152,452,411	\$152,773,091	\$458,718,387
Tier 2	--	\$101,427,020	--	\$101,427,020
Total	\$462,336,743	\$543,164,180	\$451,837,057	\$1,457,337,980

Six Month Cash Sufficiency

Based upon a review of forecasted revenues and expenses, CalOptima has sufficient cash on-hand plus projected revenues to meet its operating requirements for the next six (6) months.

Investments Compared to Reserve Policy

In accordance with CalOptima Policy GA.3001: Board-designated Reserve Funds, CalOptima shall maintain a minimum reserve level of one point four (1.4) months and a maximum of two (2) months in consolidated capitation revenues. The following provides a comparison of investments to the minimum and maximum level of Board-designated reserve funds as of June 30, 2019, demonstrating funds in excess to satisfy minimum requirements.

A) Board-designated Reserve Fund (CalOptima Policy GA.3001)

Reserve Name	Market Value	Benchmark		Variance	
		Low 1.4	High 2.0	Low 1.4	High 2.0
Tier 1 - Payden & Rygel	\$153,492,886				
Tier 1 - Logan Circle	\$152,452,411				
Tier 1 - Wells Capital	\$152,773,091				
	\$458,718,387	\$311,302,029	\$481,116,256	\$147,416,358	(\$22,397,868)

B) CalOptima's Regulatory Compliance Requirements

Reserve Name	Market Value	Regulatory Compliance Requirements		Variance	
		TNE	TNE	TNE	TNE
Tier 2 - Logan Circle	\$101,427,020	\$84,931,166	\$84,931,166	\$16,495,854	\$16,495,854
Consolidated:	\$560,145,408	\$396,233,195	\$566,047,421	\$163,912,213	(\$5,902,014)
<i>Compliance Level</i>	<i>1.98</i>	<i>1.40</i>	<i>2.00</i>	-	-

CalOptima continues to meet the minimum level of Board-designated reserve funds with a surplus of \$163,912,213 as of June 30, 2019. At the end of June 2019, CalOptima's Board-designated reserve compliance level was 1.98.

Update on Fund Transfers

Pursuant to CalOptima Policy GA.3001: Board-designated Reserve Funds, CalOptima will monitor liquidity requirements for the next twelve (12) months and will transfer funds from Short-Term Operating to Board-designated reserves, if necessary.

At the July 22, 2019, meeting, Staff provided an update to the Investment Advisory Committee members and investment managers regarding the inflows and outflows forecast for the first quarter of fiscal year 2020. Based on the latest communication from the Department of Health Care Services (DHCS), there will be no delay of CalOptima's June and July capitation payments from the State. No significant outflows are anticipated in the upcoming quarter.

Attachment

Quarterly Investment Report – April 1, 2019, through June 30, 2019

FUND EVALUATION REPORT

CalOptima

Quarterly Review

June 30, 2019



M E K E T A I N V E S T M E N T G R O U P

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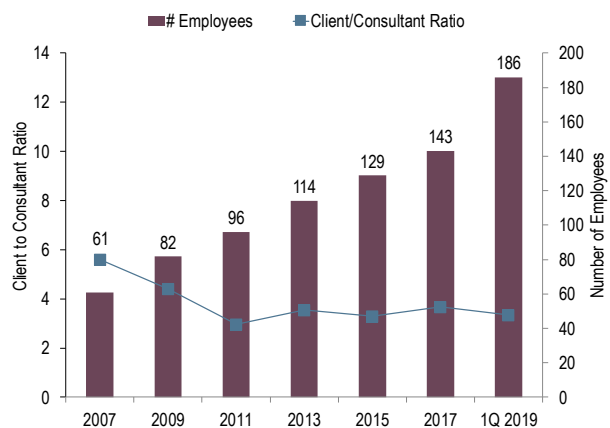
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- 1. Corporate Update**
- 2. 2Q19 Review**
- 3. Quarterly Investment Report Supplement**
- 4. Custom Peer Group**
- 5. Performance Attribution**
- 6. Appendix**
 - Characteristics
 - Holdings
- 7. Disclaimer, Glossary, and Notes**

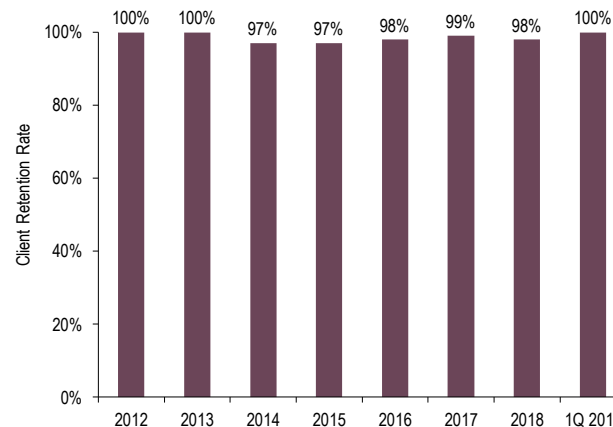
Meketa Investment Group Corporate Update

- Staff of 186, including 127 investment professionals and 39 CFA Charterholders
- 210 clients, with over 300 funds throughout the United States
- Significant investment in staff and resources
- Offices in Boston, Chicago, Miami, New York, Portland (OR), San Diego, and London
- We advise on \$1.4 trillion in client assets
 - Over \$100 billion in assets committed to alternative investments
 - Private Equity ▪ Infrastructure ▪ Natural Resources
 - Real Estate ▪ Hedge Funds ▪ Commodities

Client to Consultant Ratio¹



Client Retention Rate²



Meketa Investment Group is proud to work for over 5 million American families everyday.

¹ On March 15, 2019, 31 employees joined the firm as part of the merger of Meketa Investment Group and Pension Consulting Alliance.

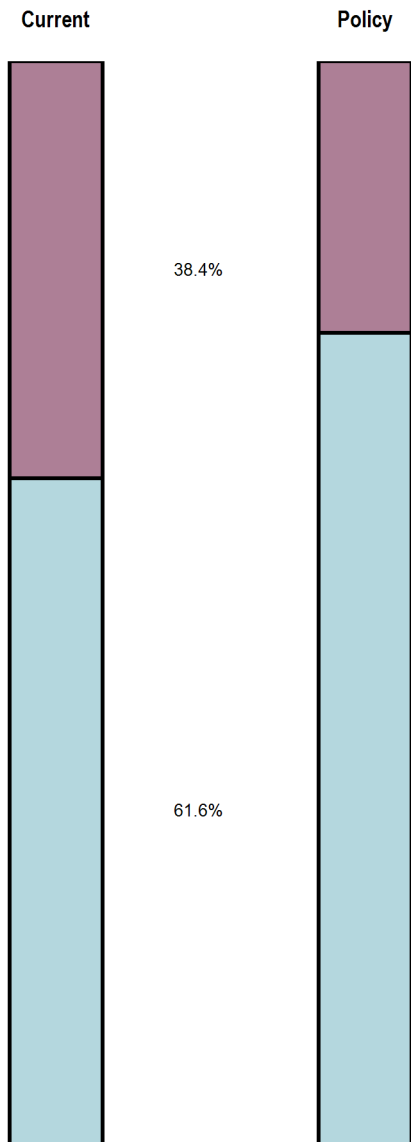
² Client Retention Rate is one minus the number of clients lost divided by the number of clients at prior year-end.



Asset Classes Followed Intensively by Meketa Investment Group

Domestic Equities	International Equities	Private Equity	Real Assets	Fixed Income	Hedge Funds
<ul style="list-style-type: none"> - Passive - Enhanced Index - Large Cap - Midcap - Small Cap - Microcap - 130/30 	<ul style="list-style-type: none"> - Large Cap Developed - Small Cap Developed - Emerging Markets - Frontier Markets 	<ul style="list-style-type: none"> - Buyouts - Venture Capital - Private Debt - Special Situations - Secondaries - Fund of Funds 	<ul style="list-style-type: none"> - Public REITs - Core Real Estate - Value Added Real Estate - Opportunistic Real Estate - Infrastructure - Timber - Natural Resources - Commodities 	<ul style="list-style-type: none"> - Short-Term - Core - Core Plus - TIPS - High Yield - Bank Loans - Distressed - Global - Emerging Markets 	<ul style="list-style-type: none"> - Long/Short Equity - Event Driven - Relative Value - Fixed Income Arbitrage - Multi Strategy - Market Neutral - Global Macro - Fund of Funds - Portable Alpha

2Q19 Review



Allocation vs. Targets and Policy		
	Current Balance	Current Allocation
Fixed Income	\$560,145,407	38%
Cash	\$897,192,572	62%
Total	\$1,457,337,980	100%

Asset Allocation History
5 Years Ending June 30, 2019



As of June 30, 2019

Asset Class Performance Summary

	Market Value (\$)	% of Portfolio	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Total Fund(Gross)	1,457,337,980	100.000	0.942	3.191	1.717	--	--	1.338	Oct-14
Total Fund(Net)			0.923	3.107	1.635	--	--	1.255	
Fixed Income(Gross)	560,145,407	38.436	1.330	4.064	1.677	--	--	1.625	Oct-14
Fixed Income(Net)			1.315	3.982	1.591	--	--	1.569	
<i>ICE BofAML 1-3 Yrs US Treasuries TR</i>			<i>1.451</i>	<i>3.974</i>	<i>1.298</i>	<i>1.215</i>	<i>1.195</i>	<i>1.272</i>	<i>Oct-14</i>
Cash(Gross)	897,192,572	61.564	0.681	2.573	1.638	1.116	0.627	1.975	Jul-99
Cash(Net)			0.660	2.489	1.556	1.032	0.517	--	
<i>FTSE T-Bill 3 Months TR</i>			<i>0.613</i>	<i>2.294</i>	<i>1.356</i>	<i>0.843</i>	<i>0.463</i>	<i>1.762</i>	<i>Jul-99</i>

Trailing Period Performance

	Market Value (\$)	% of Portfolio	% of Sector	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Total Fund(Gross)	1,457,337,980	100.000	--	0.942	3.191	1.717	--	--	1.338	Oct-14
Fixed Income(Gross)	560,145,407	38.436	38.436	1.330	4.064	1.677	--	--	1.625	Oct-14
<i>ICE BofAML 1-3 Yrs US Treasuries TR</i>				1.451	3.974	1.298	1.215	1.195	1.272	Oct-14
Tier One: Payden Low Duration(Gross)	153,492,886	10.532	27.402	1.455	4.239	1.825	1.565	1.506	3.011	Jul-99
Tier One: Payden Low Duration(Net)				1.448	4.167	1.749	1.483	1.397	--	
<i>ICE BofAML 1-3 Yrs US Treasuries TR</i>				1.451	3.974	1.298	1.215	1.195	2.878	Jul-99
<i>ICE BofAML 1-3 Yrs US Corp & Govt TR</i>				1.497	4.302	1.617	1.466	1.632	3.206	Jul-99
<i>ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR</i>				1.473	4.170	1.487	1.372	1.473	3.095	Jul-99
Tier One: Logan Circle STAMP 1-3 Year(Gross)	152,452,411	10.461	27.217	1.075	3.544	1.612	--	--	1.666	May-16
Tier One: Logan Circle STAMP 1-3 Year(Net)				1.071	3.478	1.535	--	--	1.588	
<i>ICE BofAML 1-3 Yrs US Treasuries TR</i>				1.451	3.974	1.298	1.215	1.195	1.386	May-16
<i>ICE BofAML 1-3 Yrs US Corp & Govt TR</i>				1.497	4.302	1.617	1.466	1.632	1.700	May-16
<i>ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR</i>				1.473	4.170	1.487	1.372	1.473	1.570	May-16
Tier One: Wells Capital Reserve Account(Gross)	152,773,091	10.483	27.274	1.409	4.223	1.668	--	--	1.804	Jun-16
Tier One: Wells Capital Reserve Account(Net)				1.388	4.145	1.594	--	--	1.730	
<i>ICE BofAML 1-3 Yrs US Treasuries TR</i>				1.451	3.974	1.298	1.215	1.195	1.459	Jun-16
<i>ICE BofAML 1-3 Yrs US Corp & Govt TR</i>				1.497	4.302	1.617	1.466	1.632	1.768	Jun-16
<i>ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR</i>				1.473	4.170	1.487	1.372	1.473	1.639	Jun-16
Tier Two: Logan Circle STAMP 1-5 Year(Gross)	101,427,020	6.960	18.107	1.404	4.347	1.563	1.839	--	1.628	Apr-13
Tier Two: Logan Circle STAMP 1-5 Year(Net)				1.373	4.217	1.436	1.712	--	1.501	
<i>ICE BofAML 1-5 Yrs US Treasuries TR</i>				1.837	4.903	1.309	1.545	1.727	1.309	Apr-13
<i>ICE BofAML 1-5 Yrs US Corp & Govt TR</i>				1.927	5.384	1.756	1.851	2.310	1.670	Apr-13
<i>ICE BofAML 1-5 Yrs AAA-A US Corp & Govt TR</i>				1.864	5.143	1.553	1.720	2.069	1.513	Apr-13



As of June 30, 2019

	Market Value (\$)	% of Portfolio	% of Sector	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Cash(Gross)	897,192,572	61.564	61.564	0.681	2.573	1.638	1.116	0.627	1.975	Jul-99
<i>FTSE T-Bill 3 Months TR</i>				0.613	2.294	1.356	0.843	0.463	1.762	Jul-99
Operating: Payden Enhanced Cash(Gross)	308,843,857	21.192	34.423	0.727	2.597	1.686	1.157	0.648	1.985	Jul-99
Operating: Payden Enhanced Cash(Net)				0.705	2.508	1.604	1.073	0.538	--	
<i>FTSE T-Bill 3 Months TR</i>				0.613	2.294	1.356	0.843	0.463	1.762	Jul-99
Operating: Logan Circle Enhanced Cash(Gross)	289,284,749	19.850	32.243	0.693	2.605	1.665	--	--	1.609	May-16
Operating: Logan Circle Enhanced Cash(Net)				0.671	2.519	1.580	--	--	1.524	
<i>FTSE T-Bill 3 Months TR</i>				0.613	2.294	1.356	0.843	0.463	1.297	May-16
Operating: Wells Capital Enhanced Cash(Gross)	299,063,966	20.521	33.333	0.644	2.550	1.569	--	--	1.556	Jun-16
Operating: Wells Capital Enhanced Cash(Net)				0.624	2.474	1.495	--	--	1.482	
<i>FTSE T-Bill 3 Months TR</i>				0.613	2.294	1.356	0.843	0.463	1.325	Jun-16

As of June 30, 2019

Asset Class Performance Summary

	Fiscal 2019 (%)	Fiscal 2018 (%)	Fiscal 2017 (%)	Fiscal 2016 (%)	Fiscal 2015 (%)	Fiscal 2014 (%)	Fiscal 2013 (%)	Fiscal 2012 (%)
Total Fund(Gross)	3.191	1.221	0.754	0.842	--	--	--	--
Total Fund(Net)	3.107	1.147	0.666	0.778	--	--	--	--
Fixed Income(Gross)	4.064	0.582	0.427	1.775	--	--	--	--
Fixed Income(Net)	3.982	0.495	0.336	1.699	--	--	--	--
<i>ICE BofAML 1-3 Yrs US Treasuries TR</i>	3.974	0.079	-0.108	1.307	0.876	0.765	0.328	0.776
Cash(Gross)	2.573	1.492	0.858	0.509	0.166	0.131	0.112	0.185
Cash(Net)	2.489	1.427	0.758	0.446	0.058	0.018	-0.023	0.044
<i>FTSE T-Bill 3 Months TR</i>	2.294	1.325	0.455	0.138	0.021	0.038	0.079	0.044

As of June 30, 2019

Trailing Period Performance

	Fiscal 2019 (%)	Fiscal 2018 (%)	Fiscal 2017 (%)	Fiscal 2016 (%)	Fiscal 2015 (%)	Fiscal 2014 (%)	Fiscal 2013 (%)	Fiscal 2012 (%)
Total Fund(Gross)	3.191	1.221	0.754	0.842	--	--	--	--
Fixed Income(Gross)	4.064	0.582	0.427	1.775	--	--	--	--
ICE BofAML 1-3 Yrs US Treasuries TR	3.974	0.079	-0.108	1.307	0.876	0.765	0.328	0.776
Tier One: Payden Low Duration(Gross)	4.239	0.695	0.583	1.461	0.893	1.048	0.534	1.248
Tier One: Payden Low Duration(Net)	4.167	0.615	0.508	1.388	0.783	0.933	0.399	1.105
ICE BofAML 1-3 Yrs US Treasuries TR	3.974	0.079	-0.108	1.307	0.876	0.765	0.328	0.776
ICE BofAML 1-3 Yrs US Corp & Govt TR	4.302	0.265	0.336	1.581	0.901	1.246	0.861	1.169
ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR	4.170	0.198	0.147	1.492	0.906	1.038	0.656	1.058
Tier One: Logan Circle STAMP 1-3 Year(Gross)	3.544	0.842	0.478	--	--	--	--	--
Tier One: Logan Circle STAMP 1-3 Year(Net)	3.478	0.761	0.395	--	--	--	--	--
ICE BofAML 1-3 Yrs US Treasuries TR	3.974	0.079	-0.108	1.307	0.876	0.765	0.328	0.776
ICE BofAML 1-3 Yrs US Corp & Govt TR	4.302	0.265	0.336	1.581	0.901	1.246	0.861	1.169
ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR	4.170	0.198	0.147	1.492	0.906	1.038	0.656	1.058
Tier One: Wells Capital Reserve Account(Gross)	4.223	0.425	0.403	--	--	--	--	--
Tier One: Wells Capital Reserve Account(Net)	4.145	0.353	0.330	--	--	--	--	--
ICE BofAML 1-3 Yrs US Treasuries TR	3.974	0.079	-0.108	1.307	0.876	0.765	0.328	0.776
ICE BofAML 1-3 Yrs US Corp & Govt TR	4.302	0.265	0.336	1.581	0.901	1.246	0.861	1.169
ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR	4.170	0.198	0.147	1.492	0.906	1.038	0.656	1.058
Tier Two: Logan Circle STAMP 1-5 Year(Gross)	4.347	0.258	0.140	3.021	1.494	2.095	--	--
Tier Two: Logan Circle STAMP 1-5 Year(Net)	4.217	0.131	0.016	2.894	1.367	1.969	--	--
ICE BofAML 1-5 Yrs US Treasuries TR	4.903	-0.351	-0.532	2.426	1.376	1.157	-0.027	2.198
ICE BofAML 1-5 Yrs US Corp & Govt TR	5.384	-0.156	0.134	2.649	1.344	2.000	0.718	2.524
ICE BofAML 1-5 Yrs AAA-A US Corp & Govt TR	5.143	-0.220	-0.172	2.570	1.376	1.641	0.409	2.362

As of June 30, 2019

	Fiscal 2019 (%)	Fiscal 2018 (%)	Fiscal 2017 (%)	Fiscal 2016 (%)	Fiscal 2015 (%)	Fiscal 2014 (%)	Fiscal 2013 (%)	Fiscal 2012 (%)
Cash(Gross)	2.573	1.492	0.858	0.509	0.166	0.131	0.112	0.185
<i>FTSE T-Bill 3 Months TR</i>	2.294	1.325	0.455	0.138	0.021	0.038	0.079	0.044
Operating: Payden Enhanced Cash(Gross)	2.597	1.580	0.887	0.573	0.166	0.131	0.112	0.185
Operating: Payden Enhanced Cash(Net)	2.508	1.500	0.812	0.505	0.058	0.018	-0.023	0.044
<i>FTSE T-Bill 3 Months TR</i>	2.294	1.325	0.455	0.138	0.021	0.038	0.079	0.044
Operating: Logan Circle Enhanced Cash(Gross)	2.605	1.501	0.898	--	--	--	--	--
Operating: Logan Circle Enhanced Cash(Net)	2.519	1.416	0.814	--	--	--	--	--
<i>FTSE T-Bill 3 Months TR</i>	2.294	1.325	0.455	0.138	0.021	0.038	0.079	0.044
Operating: Wells Capital Enhanced Cash(Gross)	2.550	1.443	0.721	--	--	--	--	--
Operating: Wells Capital Enhanced Cash(Net)	2.474	1.370	0.649	--	--	--	--	--
<i>FTSE T-Bill 3 Months TR</i>	2.294	1.325	0.455	0.138	0.021	0.038	0.079	0.044

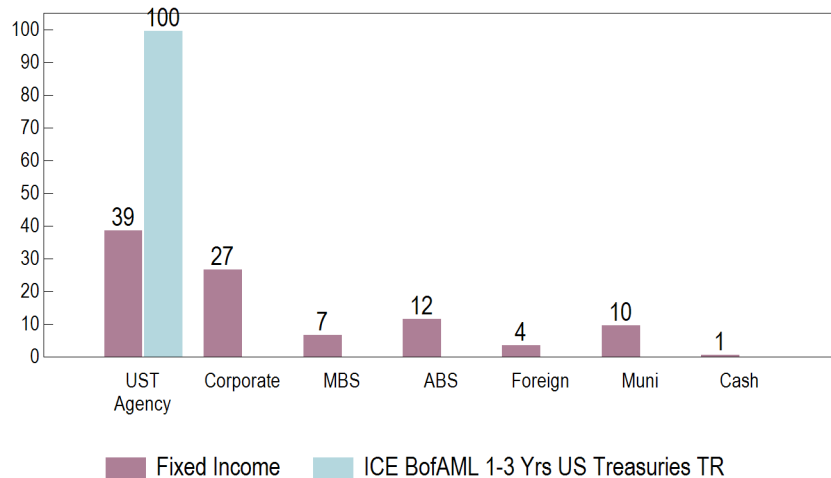
Asset Allocation on June 30, 2019

	Actual	Actual
Tier One: Payden Low Duration	\$153,492,886	27.4%
Tier One: Logan Circle STAMP 1-3 Year	\$152,452,411	27.2%
Tier One: Wells Capital Reserve Account	\$152,773,091	27.3%
Tier Two: Logan Circle STAMP 1-5 Year	\$101,427,020	18.1%
Total	\$560,145,407	100.0%

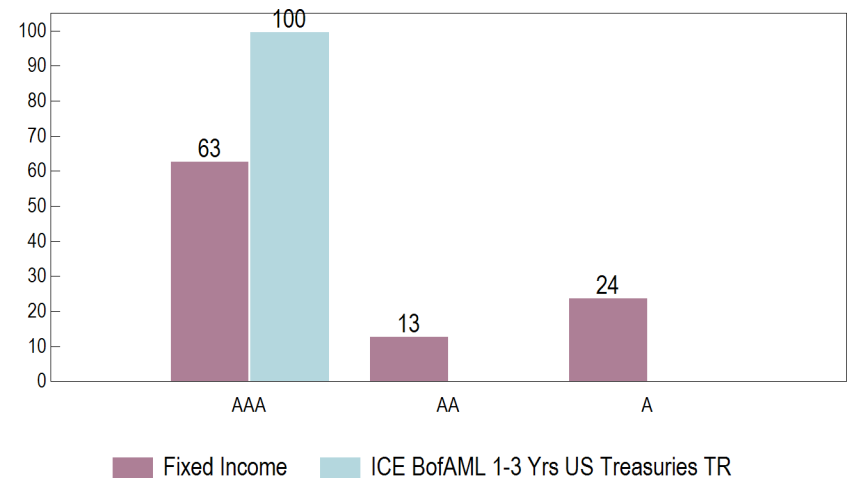
Fixed Income Characteristics vs. ICE BofAML 1-3 Yrs US Treasuries TR

	Portfolio Q2-19	Index Q2-19	Portfolio Q1-19
Fixed Income Characteristics			
Yield to Maturity	2.1	1.8	2.5
Average Duration	1.6	1.8	1.5
Average Quality	AA	AAA	AA

Sector Allocation



Credit Quality Allocation



Account Information

Account Name	Tier One: Payden Low Duration
Account Structure	Separate Account
Investment Style	Active
Inception Date	7/01/99
Account Type	US Fixed Income Short Term
Benchmark	ICE BofAML 1-3 Yrs US Treasuries TR
Universe	eV US Short Duration Fixed Inc Net

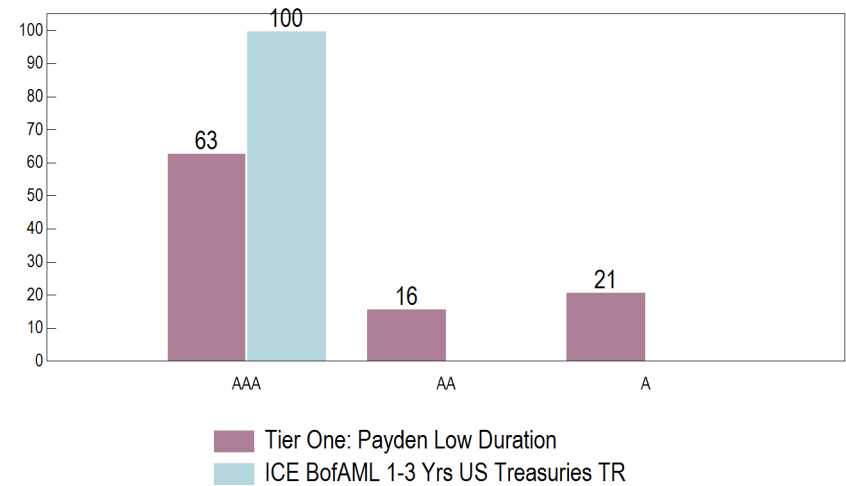
Portfolio Performance Summary

	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Tier One: Payden Low Duration(Gross)	1.455	4.239	1.825	1.565	1.506	3.011	Jul-99
Tier One: Payden Low Duration(Net)	1.448	4.167	1.749	1.483	1.397	--	
ICE BofAML 1-3 Yrs US Treasuries TR	1.451	3.974	1.298	1.215	1.195	2.878	Jul-99
ICE BofAML 1-3 Yrs US Corp & Govt TR	1.497	4.302	1.617	1.466	1.632	3.206	Jul-99
ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR	1.473	4.170	1.487	1.372	1.473	3.095	Jul-99

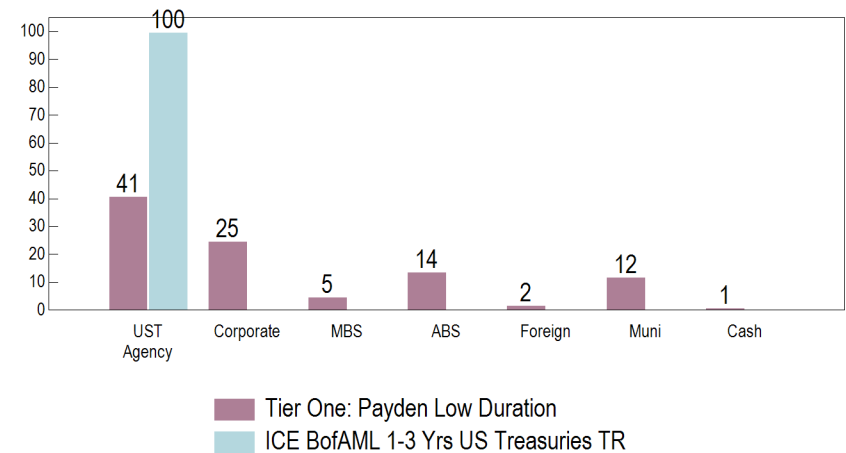
Tier One: Payden Low Duration Fixed Income Characteristics vs. ICE BofAML 1-3 Yrs US Treasuries TR

	Portfolio Q2-19	Index Q2-19	Portfolio Q1-19
Fixed Income Characteristics			
Yield to Maturity	2.06	1.80	2.53
Average Duration	1.79	1.85	1.66
Average Quality	AA	AAA	AA

Credit Quality Allocation



US Sector Allocation



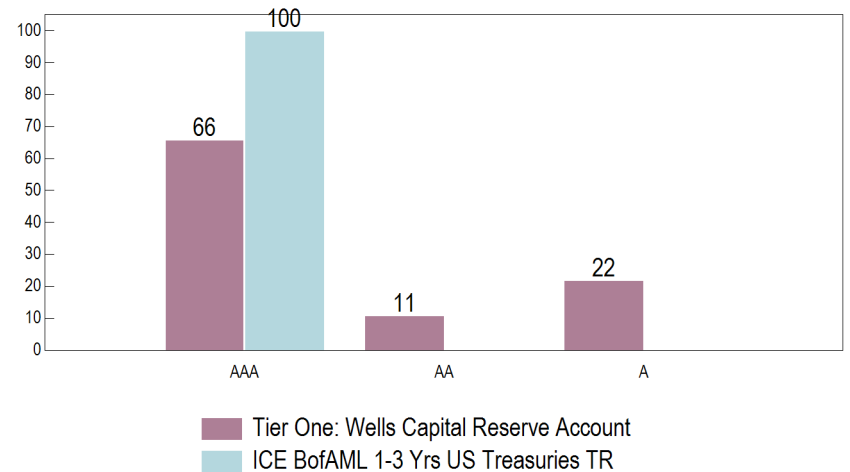
Account Information

Account Name	Tier One: Wells Capital Reserve Account
Account Structure	Separate Account
Investment Style	Active
Inception Date	6/01/16
Account Type	US Fixed Income Short Term
Benchmark	ICE BofAML 1-3 Yrs US Treasuries TR
Universe	eV US Short Duration Fixed Inc Net

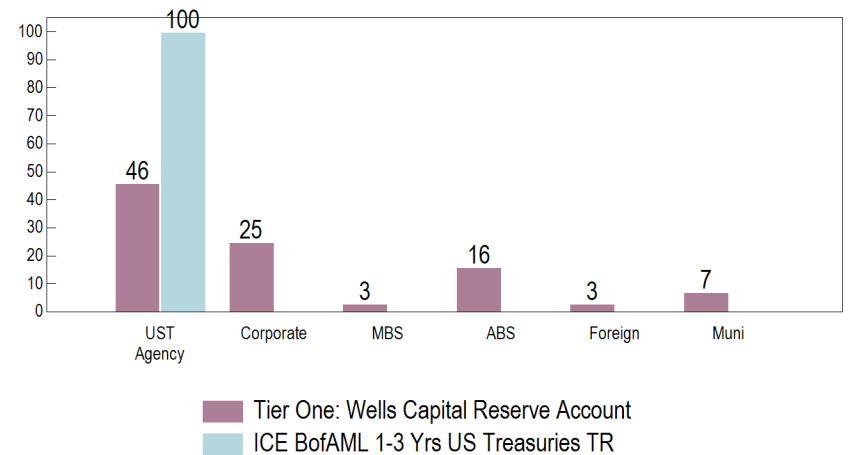
Portfolio Performance Summary

	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Tier One: Wells Capital Reserve Account(Gross)	1.409	4.223	1.668	--	--	1.804	Jun-16
Tier One: Wells Capital Reserve Account(Net)	1.388	4.145	1.594	--	--	1.730	
ICE BofAML 1-3 Yrs US Treasuries TR	1.451	3.974	1.298	1.215	1.195	1.459	Jun-16
ICE BofAML 1-3 Yrs US Corp & Govt TR	1.497	4.302	1.617	1.466	1.632	1.768	Jun-16
ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR	1.473	4.170	1.487	1.372	1.473	1.639	Jun-16

Credit Quality Allocation



US Sector Allocation



Tier One: Wells Capital Reserve Account Fixed Income Characteristics vs. ICE BofAML 1-3 Yrs US Treasuries TR

	Portfolio Q2-19	Index Q2-19	Portfolio Q1-19
Fixed Income Characteristics			
Yield to Maturity	1.85	1.80	2.44
Average Duration	1.82	1.85	1.82
Average Quality	AA	AAA	AA



Account Information

Account Name	Tier One: Logan Circle STAMP 1-3 Year
Account Structure	Separate Account
Investment Style	Active
Inception Date	5/02/16
Account Type	US Fixed Income Short Term
Benchmark	ICE BofAML 1-3 Yrs US Treasuries TR
Universe	eV US Short Duration Fixed Inc Net

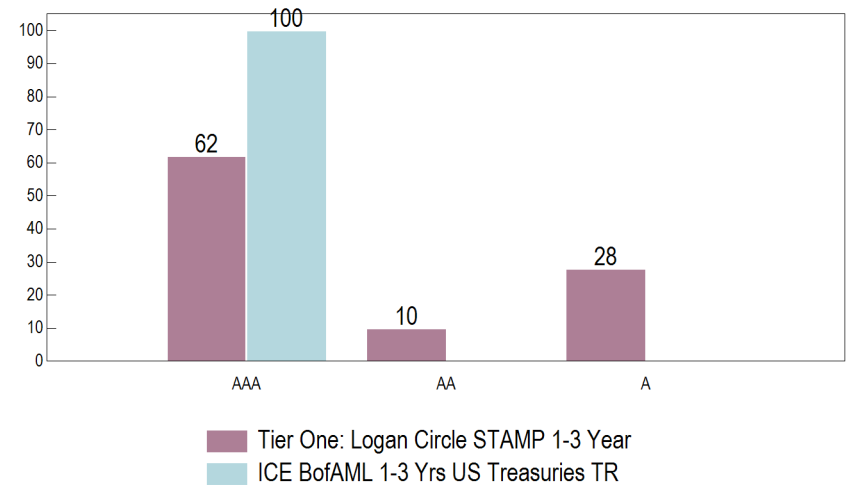
Portfolio Performance Summary

	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Tier One: Logan Circle STAMP 1-3 Year(Gross)	1.075	3.544	1.612	--	--	1.666	May-16
Tier One: Logan Circle STAMP 1-3 Year(Net)	1.071	3.478	1.535	--	--	1.588	
ICE BofAML 1-3 Yrs US Treasuries TR	1.451	3.974	1.298	1.215	1.195	1.386	May-16
ICE BofAML 1-3 Yrs US Corp & Govt TR	1.497	4.302	1.617	1.466	1.632	1.700	May-16
ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR	1.473	4.170	1.487	1.372	1.473	1.570	May-16

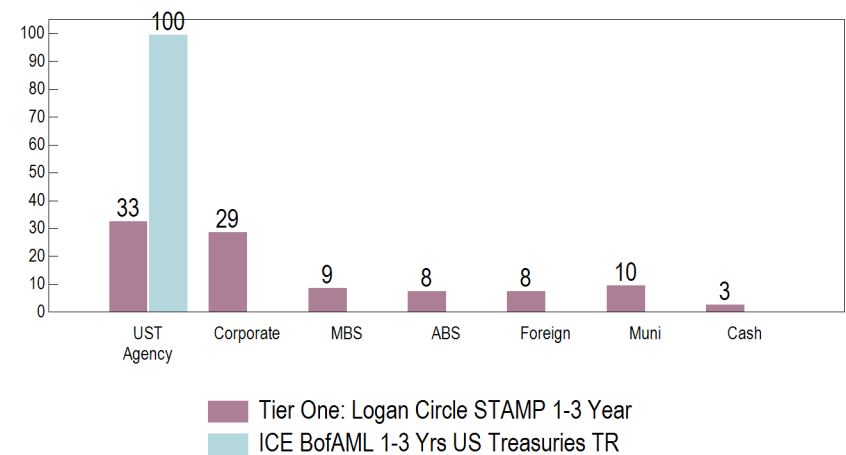
Tier One: Logan Circle STAMP 1-3 Year Fixed Income Characteristics vs. ICE BofAML 1-3 Yrs US Treasuries TR

	Portfolio Q2-19	Index Q2-19	Portfolio Q1-19
Fixed Income Characteristics			
Yield to Maturity	2.23	1.80	2.63
Average Duration	1.14	1.85	0.99
Average Quality	AA	AAA	AA

Credit Quality Allocation



US Sector Allocation



Tier Two: Logan Circle STAMP 1-5 Year

As of June 30, 2019

Account Information

Account Name	Tier Two: Logan Circle STAMP 1-5 Year
Account Structure	Separate Account
Investment Style	Active
Inception Date	4/01/13
Account Type	US Fixed Income Short Term
Benchmark	ICE BofAML 1-5 Yrs US Treasuries TR
Universe	eV US Short Duration Fixed Inc Net

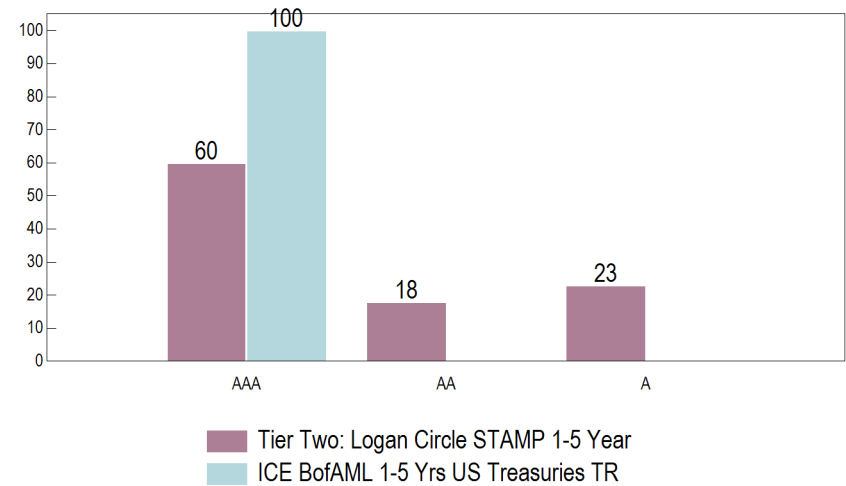
Portfolio Performance Summary

	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Tier Two: Logan Circle STAMP 1-5 Year(Gross)	1.404	4.347	1.563	1.839	--	1.628	Apr-13
Tier Two: Logan Circle STAMP 1-5 Year(Net)	1.373	4.217	1.436	1.712	--	1.501	
ICE BofAML 1-5 Yrs US Treasuries TR	1.837	4.903	1.309	1.545	1.727	1.309	Apr-13
ICE BofAML 1-5 Yrs US Corp & Govt TR	1.927	5.384	1.756	1.851	2.310	1.670	Apr-13
ICE BofAML 1-5 Yrs AAA-A US Corp & Govt TR	1.864	5.143	1.553	1.720	2.069	1.513	Apr-13

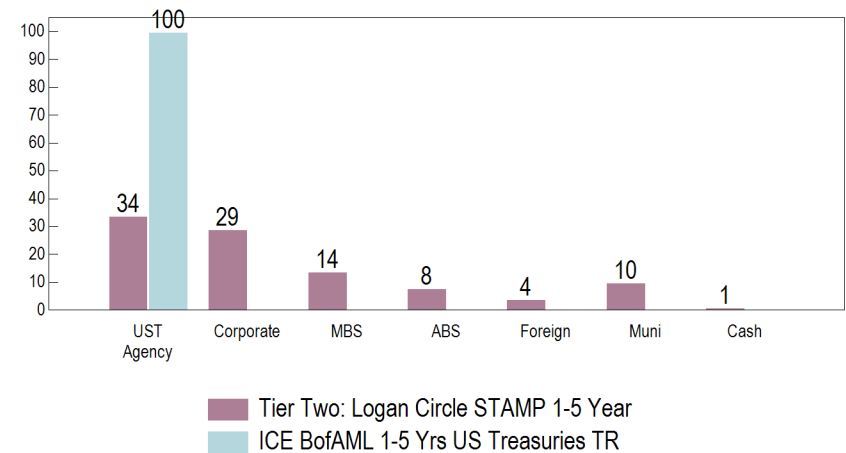
Tier Two: Logan Circle STAMP 1-5 Year Fixed Income Characteristics vs. ICE BofAML 1-5 Yrs US Treasuries TR

	Portfolio Q2-19	Index Q2-19	Portfolio Q1-19
Fixed Income Characteristics			
Yield to Maturity	2.13	1.77	2.57
Average Duration	1.77	2.60	1.69
Average Quality	AA	AAA	AA

Credit Quality Allocation



US Sector Allocation



As of June 30, 2019

Asset Allocation on June 30, 2019

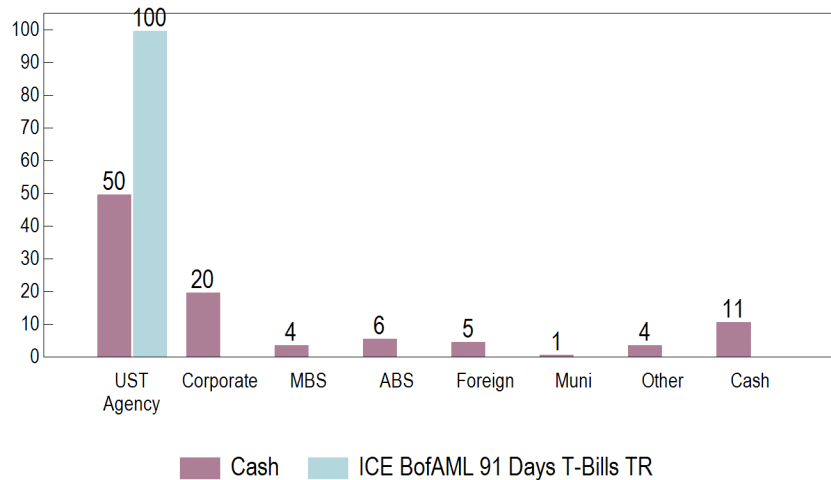
	Actual	Actual
Operating: Logan Circle Enhanced Cash	\$289,284,749	32.2%
Operating: Payden Enhanced Cash	\$308,843,857	34.4%
Operating: Wells Capital Enhanced Cash	\$299,063,966	33.3%
Total	\$897,192,572	100.0%

Cash Characteristics

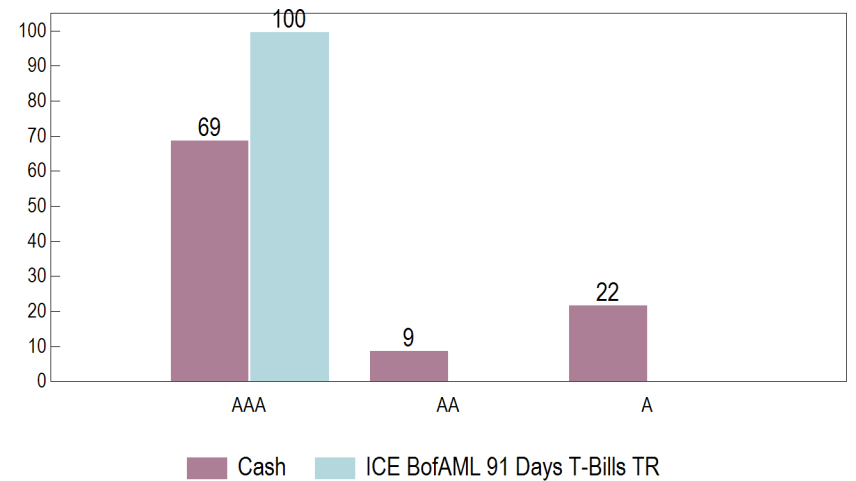
vs. ICE BofAML 91 Days T-Bills TR

	Portfolio Q2-19	Index Q2-19	Portfolio Q1-19
Fixed Income Characteristics			
Yield to Maturity	2.2	2.1	2.9
Average Duration	0.2	0.2	0.2
Average Quality	AA	AAA	AA

Sector Allocation



Credit Quality Allocation



Account Information

Account Name	Operating: Payden Enhanced Cash
Account Structure	Separate Account
Investment Style	Active
Inception Date	7/01/99
Account Type	Cash Alternatives
Benchmark	FTSE T-Bill 3 Months TR
Universe	eV US Enh Cash Management Net

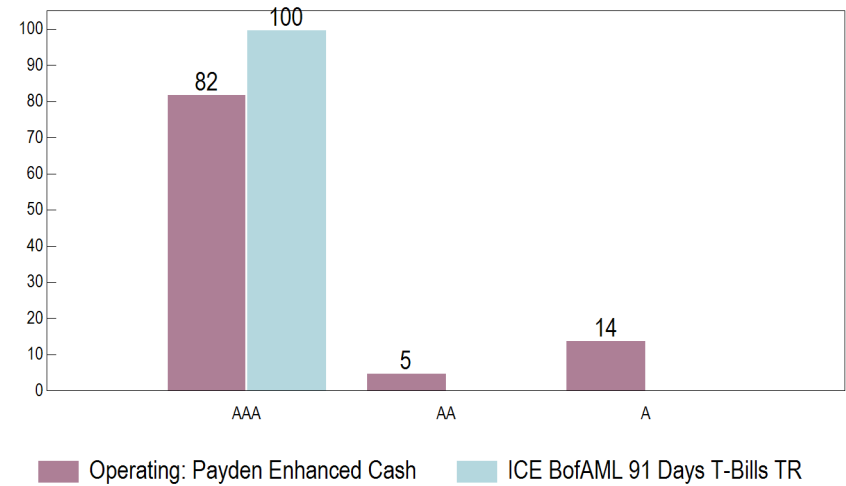
Portfolio Performance Summary

	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Operating: Payden Enhanced Cash(Gross)	0.727	2.597	1.686	1.157	0.648	1.985	Jul-99
Operating: Payden Enhanced Cash(Net)	0.705	2.508	1.604	1.073	0.538	--	
<i>FTSE T-Bill 3 Months TR</i>	0.613	2.294	1.356	0.843	0.463	1.762	Jul-99

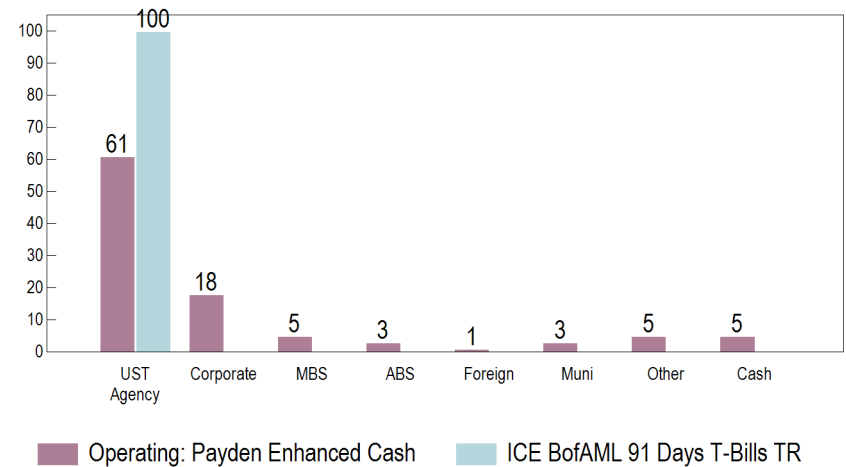
Operating: Payden Enhanced Cash Fixed Income Characteristics vs. ICE BofAML 91 Days T-Bills TR

	Portfolio Q2-19	Index Q2-19	Portfolio Q1-19
Fixed Income Characteristics			
Yield to Maturity	2.23	2.10	2.50
Average Duration	0.23	0.21	0.20
Average Quality	AA	AAA	AA

Credit Quality Allocation



US Sector Allocation



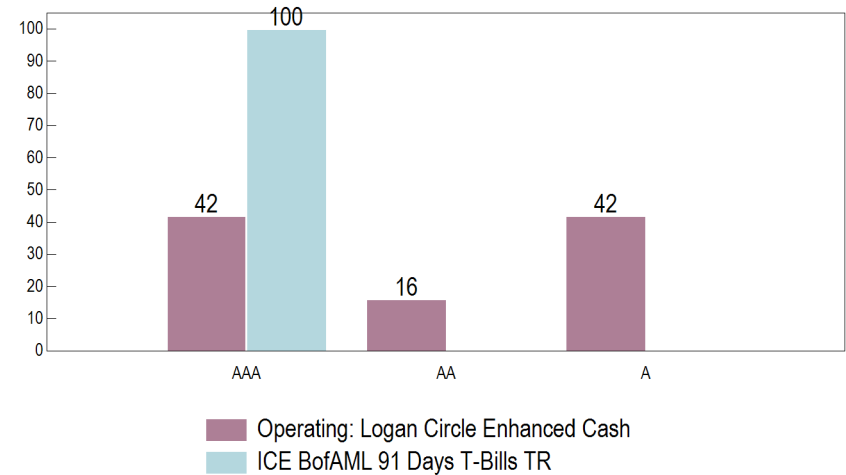
Account Information

Account Name	Operating: Logan Circle Enhanced Cash
Account Structure	Separate Account
Investment Style	Active
Inception Date	5/02/16
Account Type	Cash
Benchmark	FTSE T-Bill 3 Months TR
Universe	eV US Enh Cash Management Net

Portfolio Performance Summary

	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Operating: Logan Circle Enhanced Cash(Gross)	0.693	2.605	1.665	--	--	1.609	May-16
Operating: Logan Circle Enhanced Cash(Net)	0.671	2.519	1.580	--	--	1.524	
<i>FTSE T-Bill 3 Months TR</i>	0.613	2.294	1.356	0.843	0.463	1.297	May-16

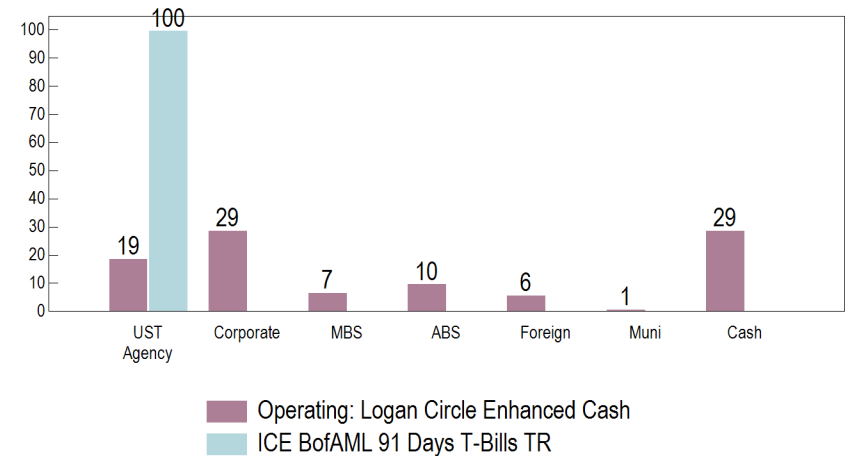
Credit Quality Allocation



Operating: Logan Circle Enhanced Cash Fixed Income Characteristics vs. ICE BofAML 91 Days T-Bills TR

	Portfolio Q2-19	Index Q2-19	Portfolio Q1-19
Fixed Income Characteristics			
Yield to Maturity	2.45	2.10	2.60
Average Duration	0.21	0.21	0.08
Average Quality	AA	AAA	AA

US Sector Allocation



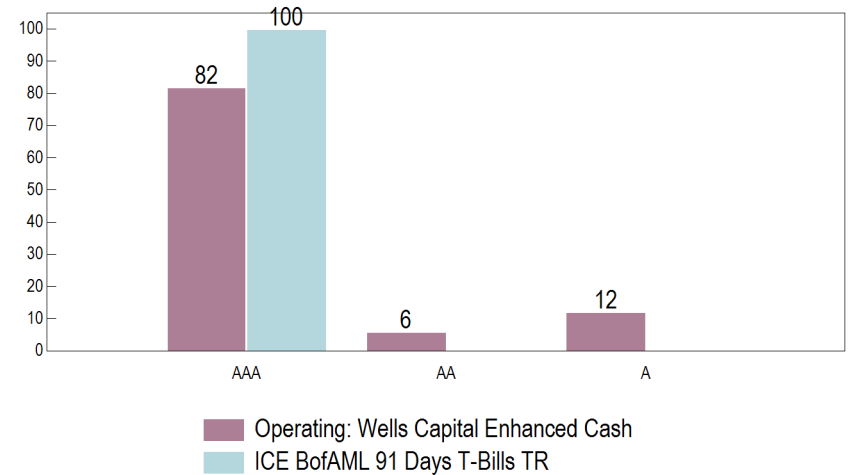
Account Information

Account Name	Operating: Wells Capital Enhanced Cash
Account Structure	Separate Account
Investment Style	Active
Inception Date	6/01/16
Account Type	Cash
Benchmark	FTSE T-Bill 3 Months TR
Universe	eV US Enh Cash Management Net

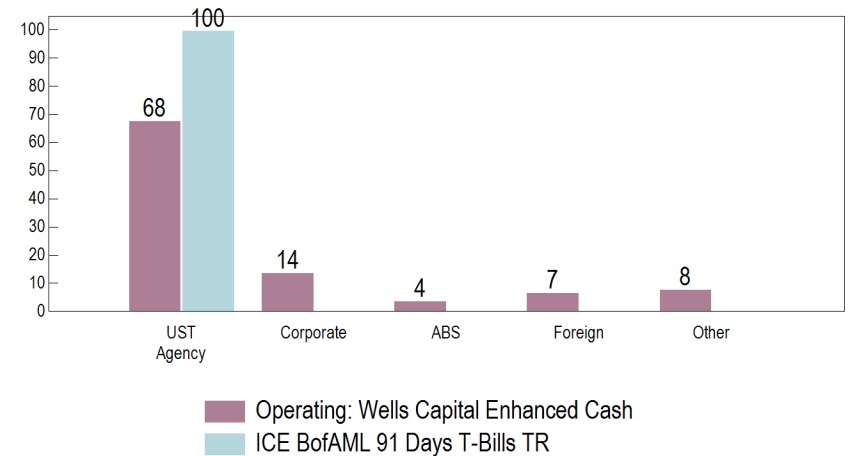
Portfolio Performance Summary

	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Operating: Wells Capital Enhanced Cash(Gross)	0.644	2.550	1.569	--	--	1.556	Jun-16
Operating: Wells Capital Enhanced Cash(Net)	0.624	2.474	1.495	--	--	1.482	
<i>FTSE T-Bill 3 Months TR</i>	<i>0.613</i>	<i>2.294</i>	<i>1.356</i>	<i>0.843</i>	<i>0.463</i>	<i>1.325</i>	<i>Jun-16</i>

Credit Quality Allocation



US Sector Allocation



Operating: Wells Capital Enhanced Cash Fixed Income Characteristics vs. ICE BofAML 91 Days T-Bills TR

	Portfolio Q2-19	Index Q2-19	Portfolio Q1-19
Fixed Income Characteristics			
Yield to Maturity	1.99	2.10	3.20
Average Duration	0.20	0.21	0.19
Average Quality	AA	AAA	AA



As of June 30, 2019

Annual Investment Expense Analysis
As Of June 30, 2019

Name	Fee Schedule	Market Value
Fixed Income		\$560,145,407
Tier One: Payden Low Duration	0.10% of First 100.0 Mil, 0.08% of Next 250.0 Mil, 0.07% Thereafter	\$153,492,886
Tier One: Logan Circle STAMP 1-3 Year	0.10% of First 50.0 Mil, 0.09% of Next 250.0 Mil, 0.07% Thereafter	\$152,452,411
Tier One: Wells Capital Reserve Account	0.09% of First 100.0 Mil, 0.07% of Next 200.0 Mil, 0.06% Thereafter	\$152,773,091
Tier Two: Logan Circle STAMP 1-5 Year	0.15% of First 50.0 Mil, 0.10% of Next 250.0 Mil, 0.07% Thereafter	\$101,427,020
Cash		\$897,192,572
Operating: Payden Enhanced Cash	0.10% of First 100.0 Mil, 0.08% of Next 250.0 Mil, 0.07% Thereafter	\$308,843,857
Operating: Logan Circle Enhanced Cash	0.10% of First 50.0 Mil, 0.09% of Next 250.0 Mil, 0.07% Thereafter	\$289,284,749
Operating: Wells Capital Enhanced Cash	0.09% of First 100.0 Mil, 0.07% of Next 200.0 Mil, 0.06% Thereafter	\$299,063,966
Total		\$1,457,337,980

Please note that Logan Circle, Payden, and Wells Capital charge their investment management fees on an aggregate basis across Operating Cash, Tier One and Tier Two portfolios.



Quarterly Investment Report Supplement

Annual Investment Policy (2019) Maturity and Quality Requirements

Allowable Instruments	Maximum Permitted Maturity			Actual Maximum Maturity							Compliance
	Operating Funds	Tier One	Tier Two	Operating Funds			Tier One			Tier Two	
				LC	P&R	WF	LC	P&R	WF	LC	
U.S. Treasuries	2 years	5 years	5 years	0.51 years	0.97 years	1.67 years	3.80 years	4.75 years	2.88 years	3.80 years	Yes
U.S. Agencies	2 years	5 years	5 years	1.76 years	0.09 years	0.84 years	2.55 years	3.00 years	2.56 years	2.55 years	Yes
State & Local Obligations ¹	2 years	5 years	5 years	0.05 years	1.84 years	0.51 years	2.10 years	3.79 years	2.88 years	3.93 years	Yes
Supranationals	2 years	5 years	5 years	N/A	N/A	0.63 years	3.22 years	2.07 years	2.07 years	3.22 years	Yes
Negotiable Cert of Deposit	1 year	1 year	1 year	0.05 years	N/A	N/A	N/A	N/A	N/A	N/A	Yes
Commercial Paper	270 days	270 days	270 days	32 days	72 days	73 days	12 days	N/A	N/A	N/A	Yes
Repurchase Agreements	30 days	30 days	30 days	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes
Medium Term Notes	2 years	5 years	5 years	1.22 years	1.87 years	1.14 years	2.90 years	2.84 years	2.76 years	3.93 years	Yes
Mortgage/ Asset-Backed	2 years	5 years	5 years	1.83 years	1.04 years	N/A	4.68 years	2.27 years	4.63 years	4.39 years	Yes
Variable & Floating Rate	2 years	5 years	5 years	0.20 years	0.25 years ²	0.25 years	2.90 years	2.76 years	N/A	2.90 years	Yes

- Investment Managers have independently verified that they have maintained compliance with CalOptima's Investment Policy Statement-designated security credit rating requirements during the review quarter.

¹ Includes CA and any other state in the U.S.

² Effective Maturity.



Annual Investment Policy (2019) Diversification Compliance¹

Allowable Instruments	Maximum (%)	Logan Circle (%)	Logan Circle (\$ mm)	Payden (%)	Payden (\$ mm)	Wells Capital (%)	Wells Capital (\$ mm)	Total (%)	Total (\$ mm)
U.S. Treasuries	100	15.7	85.2	53.1	245.4	22.5	101.8	29.7	432.2
U.S. Agencies	100	4.4	23.8	1.2	5.6	37.9	171.3	13.8	200.7
State & Local Obligations ²	30	5.3	28.8	7.3	33.7	4.6	20.7	5.7	83.2
Supranationals	30	6.3	34.1	0.5	2.3	3.3	15.0	3.5	51.4
Negotiable Certificate of Deposit	30	6.8	37.2	0.0 ³	0.0	0.0	0.0	2.6	37.2
Commercial Paper	25	9.0	48.9	1.4	6.4	5.1	23.2	5.4	78.5
Repurchase Agreements	100	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Medium Term Notes	30	17.8	96.7	8.5	39.4	11.9	53.9	13.0	190.0
Money Market Funds	20	0.9	4.7	1.5	6.8	-0.2	-0.7	0.7	10.7
Mortgage/Asset-Backed	20	11.3	61.5	7.3 ⁴	33.8	9.2	41.6	9.4	136.9
Variable & Floating Rate	30	22.5	122.3	19.2	89.0	5.6	25.1	16.2	236.3
Total		100.0	543.2	100.0	462.3	100.0	451.8	100.0	1457.3

- Investment composition of each portfolio and the total portfolio are in compliance with the CalOptima Annual Investment Policy 2019.

¹ Blended allocations for Payden & Rygel, Logan Circle, and Wells Capital accounts.

² Includes CA and any other state in the U.S.

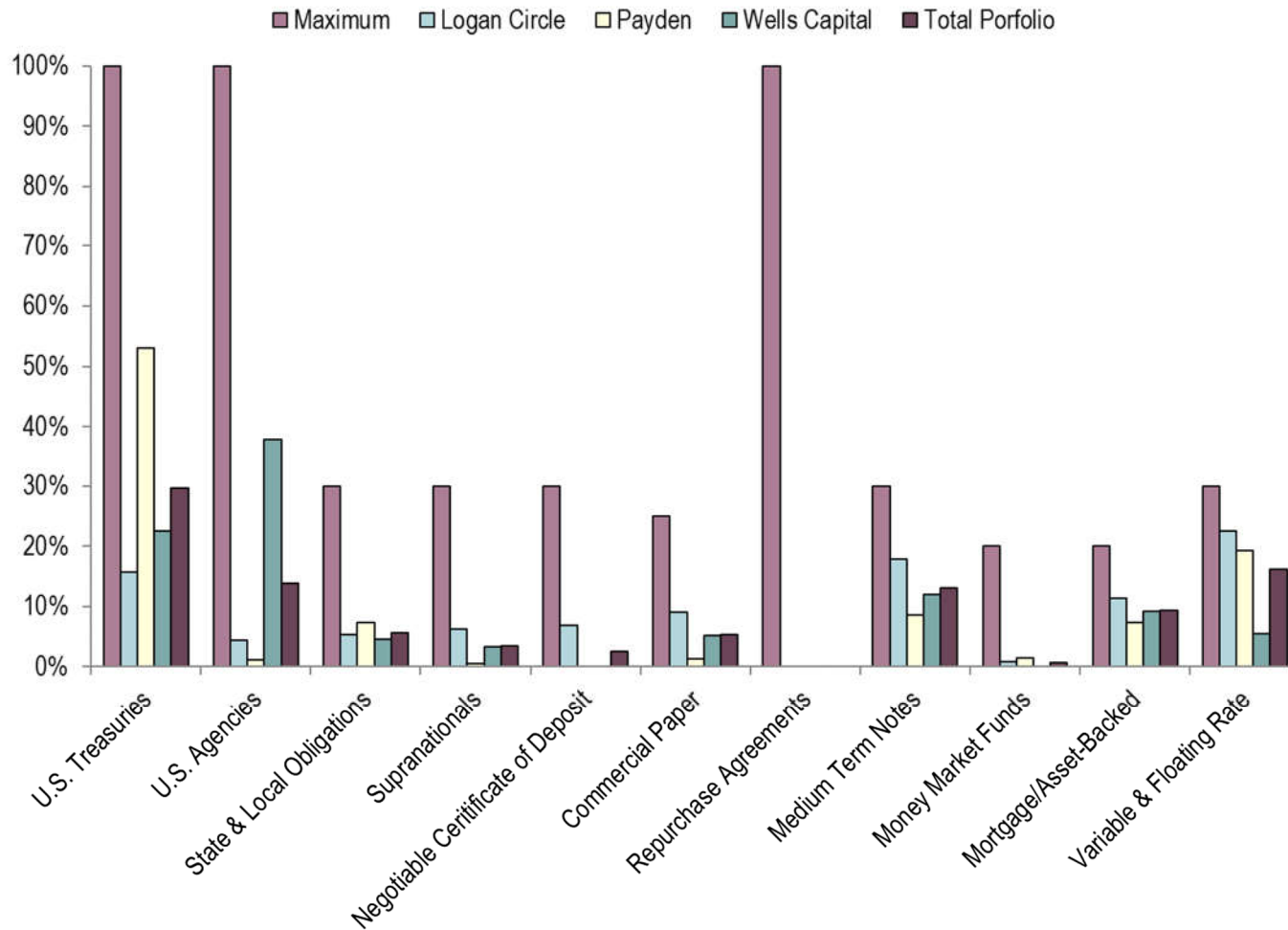
³ FRN CDs included in Variable & Floating Rate Securities section totaling 4.82% of combined portfolio. Longest effective maturity 0.25 years.

⁴ MBS & ABS minimum for security rating AA-, minimum issuer rating A- despite Code change 1/2019.



Annual Investment Policy (2019) Actual vs. Diversity Requirements

As of June 30, 2019



Custom Peer Group

Custom Peer Group

- Given CalOptima's unique investment guidelines, traditional fixed income peer groups are not the best comparison tool for the Tier One and Tier Two pools.
- Meketa Investment Group surveyed the eVestment Alliance U.S. Short Duration Fixed Income universe and Morningstar's Short Duration Fixed Income universe to create custom peer universes for each of the Tier One and Tier Two pools in order to provide a more accurate performance comparison¹.
 - For the analysis, the combined eVestment and Morningstar universe was pared down through the elimination of funds with exposure to securities with below-"A"-rated credit.
 - Two unique buckets were established based on each portfolio's historical average effective duration relative to the ICE BofA Merrill Lynch 1-3 Year Treasury index (Tier One peer group) and the ICE BofA Merrill Lynch 1-5 year Treasury index (Tier Two peer group).
 - The Tier One peer group consists of fourteen strategies with a median effective duration of 1.53 years, while the Tier Two peer group consists of nine strategies with a median effective duration of 2.31 years as of March 31, 2019.
- Please note that the analysis is as of March 31, 2019, as the universe of investment managers that had reported data as of June 30, 2019 was very small at the date that these materials were submitted.
- This analysis is based on a small peer universe that may change significantly over time, potentially resulting in large changes in peer rankings quarter-to-quarter.

¹ Though this comparison is more accurate than ranking the managers relative to the broad short duration peer group, these peer managers are not subject to the restrictions of the California Government Code. They are likely to have more degrees of freedom to invest across fixed income securities and sectors.

Custom Peer Group: Logan Circle Tier One

Gross of Fees Returns as of 3/31/2019 ¹	1Q 2019 (%)	1 Year (%)	Since Inception ² (%)
Tier One: Logan Circle STAMP 1-3 Year	1.07	2.88	1.40
Peer Group Median Return	1.21	2.72	1.56
Peer Group Rank (percentile)	61	49	70

- The Logan Circle Tier One portfolio underperformed the peer group in the first quarter of 2019, but outperformed over the trailing one-year period, ranking in the 61st and 49th percentiles, respectively. The strategy underperformed the custom peer group since inception.

¹ Investment managers are ranked based on performance gross of fees; given the discounted fee structures offered by CalOptima's investment managers, performance on a net-of-fee basis is more compelling relative to peers.

² Formal inception date is June 2016.



Custom Peer Group: Payden Tier One

Gross of Fees Returns as of 3/31/2019 ¹	1Q 2019 (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)
Tier One: Payden Low Duration	1.21	3.18	1.53	1.34	1.41
Peer Group Median Return	1.21	2.87	1.56	1.46	1.79
Peer Group Rank (percentile)	49	27	54	72	78

Standard Deviation as of 3/31/2019 ²	3 Years (%)	5 Years (%)	10 Years (%)
Tier One: Payden Low Duration	0.67	0.64	0.70
Median Standard Deviation	0.76	0.77	0.87
Peer Group Rank (percentile)	40	13	7

- The Payden Tier One portfolio's trailing returns rank in the second quartile of the peer group in the first quarter of 2019 and over the one-year trailing period. Trailing returns underperformed the custom peer group over the three-, five-, and ten-year trailing periods. The strategy performed in line with the custom peer group in the first quarter of 2019, and outperformed over the trailing one-year period.
- Standard deviation has ranked favorably versus peers over all trailing periods.

¹ Investment managers are ranked based on performance gross of fees; given the discounted fee structures offered by CalOptima's investment managers, performance on a net-of-fee basis is more compelling relative to peers.

² For peer group standard deviation rankings, a percentile rank of 99 would indicate that the strategy exhibited the lowest standard deviation relative to the peer group, and a percentile rank of 1 would indicate that the strategy exhibited the highest standard deviation relative to the peer group.

Custom Peer Group: Wells Capital Tier One

Gross of Fees Returns as of 3/31/2019 ¹	1Q 2019 (%)	1 Year (%)	Since Inception ² (%)
Tier One: Wells Capital Reserve Account	1.22	3.14	1.36
Peer Group Median Return	1.21	2.87	1.56
Peer Group Rank (percentile)	48	29	77

- The Wells Capital Tier One portfolio outperformed the custom short duration peer group over the first quarter and trailing one-year period, but underperformed the since inception period.

¹ Investment managers are ranked based on performance gross of fees; given the discounted fee structures offered by CalOptima's investment managers, performance on a net-of-fee basis is more compelling relative to peers.

² Formal inception date is June 2016.



Custom Peer Group: Logan Circle Tier Two

Gross of Fees Returns as of 3/31/2019 ¹	1Q 2019 (%)	1 Year (%)	3 Years (%)	5 Years (%)
Tier Two: Logan Circle STAMP 1-5 Year	1.32	3.22	1.40	1.69
Peer Group Median Return	1.28	3.26	1.33	1.48
Peer Group Rank (percentile)	40	53	25	32

Standard Deviation as of 3/31/2019 ²	3 Years (%)	5 Years (%)
Tier Two: Logan Circle STAMP 1-5 Year	1.18	1.19
Median Standard Deviation	1.31	1.18
Peer Group Rank (percentile)	41	52

- Logan Circle's Tier Two portfolio outperformed the peer group in the first quarter of 2019 and over the trailing three- and five-year periods, but underperformed the trailing one-year time period.
- Standard deviation for the strategy over the trailing five-year period exceeds the peer group median, ranking in the 52nd percentile.

¹ Investment managers are ranked based on performance gross of fees; given the discounted fee structures offered by CalOptima's investment managers, performance on a net-of-fee basis is more compelling relative to peers.

² For peer group standard deviation rankings, a percentile rank of 1 would indicate that the strategy exhibited the lowest standard deviation relative to the peer group, and a percentile rank of 99 would indicate that the strategy exhibited the highest standard deviation relative to the peer group.

Performance Attribution

Performance Attribution

- The following pages present attribution data for the Logan Circle Tier One and Tier Two portfolios, the Payden & Rygel Tier One portfolio, and the Wells Capital Tier One portfolio.
- Attribution represents outperformance or underperformance, based on active investment decisions across fixed income sub-sectors, relative to a manager's benchmark index. Attribution data demonstrates where managers are able to most effectively add incremental value versus the benchmark.
- Attribution data is provided by the investment managers and is presented gross of investment management fees as of June 30, 2019. Attribution data fields will vary slightly across investment managers.

Logan Circle Tier One Performance Attribution¹
Gross of Fees as of 6/30/2019

Benchmark Relative Attribution (basis points)	ICE BofA Merrill Lynch 1-3 Year U.S. Treasury		ICE BofA Merrill Lynch 1-3 Year AAA-A U.S. Corp & Govt	
	2Q 2019	1 Year	2Q 2019	1 Year
Duration	-34	-50	-37	-65
Yield Curve	-1	-2	-1	-3
Sector Selection	0	11	0	7
Treasury	0	0	0	0
Agency	-1	-3	0	-2
Corporate	1	13	1	8
Financial	1	11	1	6
Industrial	0	1	0	1
Utilities	0	1	0	1
MBS	0	0	0	0
CMBS	0	0	-1	0
ABS	0	1	0	1
Municipal	0	0	0	0
Total Excess Return²	-35	-41	-38	-61
Logan Circle Tier One Return	108	354	108	354
Benchmark Return	145	397	147	417

¹ Performance attribution provided by Logan Circle.

² May not add to actual out/underperformance due to rounding.



Payden & Rygel Tier One Performance Attribution¹
Gross of Fees as of 6/30/2019

Benchmark Relative Attribution (basis points)	ICE BofA Merrill Lynch 1-3 Year U.S. Treasury		ICE BofA Merrill Lynch 1-3 Year AAA-A U.S. Corp & Govt	
	2Q 2019	1 Year	2Q 2019	1 Year
Duration	0	-10	0	-10
Yield Curve	-1	-2	0	7
Sector Selection	3	39	0	14
Treasury	NA	NA	NA	NA
Agency	0	1	0	-1
Corporate	2	21	1	6
Financial	2	16	1	4
Industrial	0	4	0	1
Utilities	0	1	0	1
MBS	0	0	0	0
CMBS	0	0	0	0
ABS	1	11	1	5
Municipal	0	5	-1	3
Residual	0	1	-1	1
Total Excess Return²	2	27	0	11
Payden & Rygel Tier One Return	146	424	146	424
Benchmark Return	145	397	147	417

¹ Performance attribution provided by Payden & Rygel.

² May not add to actual out/underperformance due to rounding.



Wells Capital Tier One Performance Attribution¹
Gross of Fees as of 6/30/2019

Benchmark Relative Attribution (basis points)	ICE BofA Merrill Lynch 1-3 Year U.S. Treasury		ICE BofA Merrill Lynch 1-3 Year AAA-A U.S. Corp & Govt	
	2Q 2019	1 Year	2Q 2019	1 Year
Duration	-5	9	-5	12
Sector Selection	2	17	0	-6
Treasury ²	NA	NA	NA	NA
Agency	0	1	0	0
Corporate	0	18	-1	7
Financial	1	12	0	4
Industrial	-1	5	-1	3
Utilities	0	1	0	0
MBS	0	0	0	-1
CMBS	0	0	0	0
ABS	2	-3	1	-7
Municipal	0	1	0	-1
Error Factor	0	0	0	-4
Total Excess Return³	-3	26	-5	6
Wells Capital Tier One Return (%)	141	422	141	422
Benchmark Return (%)	145	397	147	417

¹ Performance attribution provided by Wells Capital.

² Treasury sector selection attribution is included in Duration figure.

³ May not add to actual out/underperformance due to rounding.



Logan Circle Tier Two Performance Attribution¹
Gross of Fees as of 6/30/2019

Benchmark Relative Attribution (basis points)	ICE BofA Merrill Lynch 1-5 Year U.S. Treasury		ICE BofA Merrill Lynch 1-5 Year AAA-A U.S. Corp & Govt	
	2Q 2019	1 Year	2Q 2019	1 Year
Duration	-42	-66	-44	-81
Yield Curve	1	-1	1	-1
Sector Selection	-1	13	-2	4
Treasury	0	0	0	0
Agency	0	-2	0	-2
Corporate	0	15	-1	6
Financial	0	13	-1	5
Industrial	0	1	0	0
Utilities	0	1	0	1
MBS	0	0	0	0
CMBS	0	0	0	0
ABS	0	0	0	0
Municipal	-1	0	-1	0
Total Excess Return²	-42	-54	-45	-78
Logan Circle Tier Two Return	140	435	140	435
Benchmark Return	183	490	186	514

¹ Performance attribution provided by Logan Circle.

² May not add to actual out/underperformance due to rounding.



Appendix

Characteristics

Account Information

Account Name	Tier One: Payden Low Duration
Account Structure	Separate Account
Investment Style	Active
Inception Date	7/01/99
Account Type	US Fixed Income Short Term
Benchmark	ICE BofAML 1-3 Yrs US Treasuries TR
Universe	eV US Short Duration Fixed Inc Net

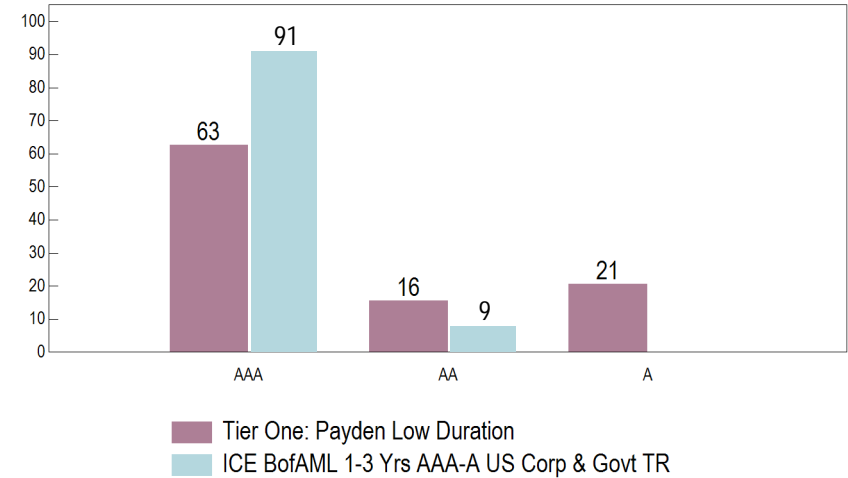
Portfolio Performance Summary

	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Tier One: Payden Low Duration(Gross)	1.455	4.239	1.825	1.565	1.506	3.011	Jul-99
Tier One: Payden Low Duration(Net)	1.448	4.167	1.749	1.483	1.397	--	
ICE BofAML 1-3 Yrs US Treasuries TR	1.451	3.974	1.298	1.215	1.195	2.878	Jul-99
ICE BofAML 1-3 Yrs US Corp & Govt TR	1.497	4.302	1.617	1.466	1.632	3.206	Jul-99
ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR	1.473	4.170	1.487	1.372	1.473	3.095	Jul-99

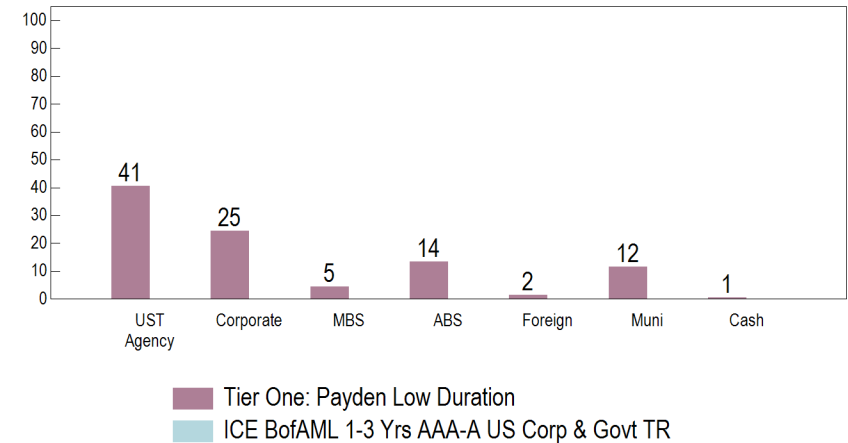
Tier One: Payden Low Duration Fixed Income Characteristics vs. ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR

	Portfolio Q2-19	Index Q2-19	Portfolio Q1-19
Fixed Income Characteristics			
Yield to Maturity	2.06	1.91	2.53
Average Duration	1.79	1.84	1.66
Average Quality	AA	AA	AA

Credit Quality Allocation



US Sector Allocation



Please note, benchmark allocations for the US Sector Allocation analysis was not available at the time of this report.



Account Information

Account Name	Tier One: Wells Capital Reserve Account
Account Structure	Separate Account
Investment Style	Active
Inception Date	6/01/16
Account Type	US Fixed Income Short Term
Benchmark	ICE BofAML 1-3 Yrs US Treasuries TR
Universe	eV US Short Duration Fixed Inc Net

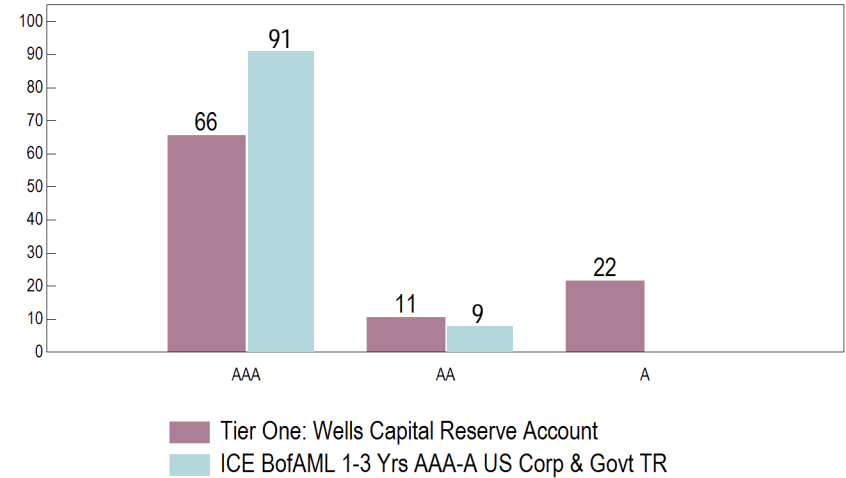
Portfolio Performance Summary

	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Tier One: Wells Capital Reserve Account(Gross)	1.409	4.223	1.668	--	--	1.804	Jun-16
Tier One: Wells Capital Reserve Account(Net)	1.388	4.145	1.594	--	--	1.730	
ICE BofAML 1-3 Yrs US Treasuries TR	1.451	3.974	1.298	1.215	1.195	1.459	Jun-16
ICE BofAML 1-3 Yrs US Corp & Govt TR	1.497	4.302	1.617	1.466	1.632	1.768	Jun-16
ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR	1.473	4.170	1.487	1.372	1.473	1.639	Jun-16

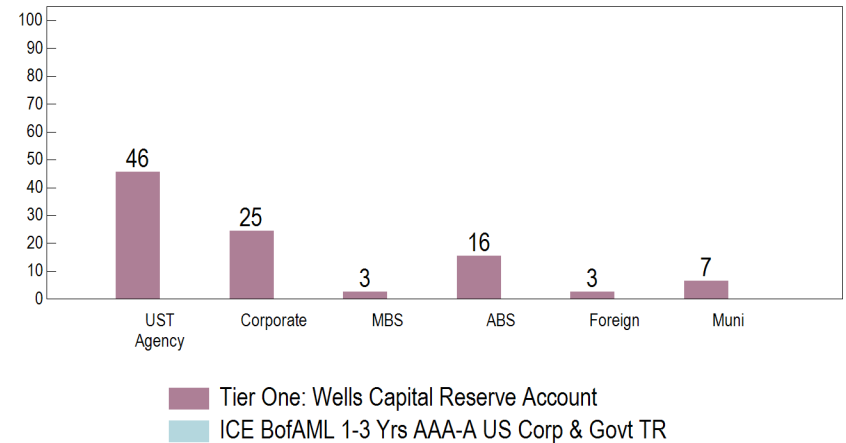
Tier One: Wells Capital Reserve Account Fixed Income Characteristics vs. ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR

Fixed Income Characteristics	Portfolio Q2-19	Index Q2-19	Portfolio Q1-19
Yield to Maturity	1.85	1.91	2.44
Average Duration	1.82	1.84	1.82
Average Quality	AA	AA	AA

Credit Quality Allocation



US Sector Allocation



Please note, benchmark allocations for the US Sector Allocation analysis was not available at the time of this report.



Tier One: Logan Circle STAMP 1-3 Year

As of June 30, 2019

Account Information

Account Name	Tier One: Logan Circle STAMP 1-3 Year
Account Structure	Separate Account
Investment Style	Active
Inception Date	5/02/16
Account Type	US Fixed Income Short Term
Benchmark	ICE BofAML 1-3 Yrs US Treasuries TR
Universe	eV US Short Duration Fixed Inc Net

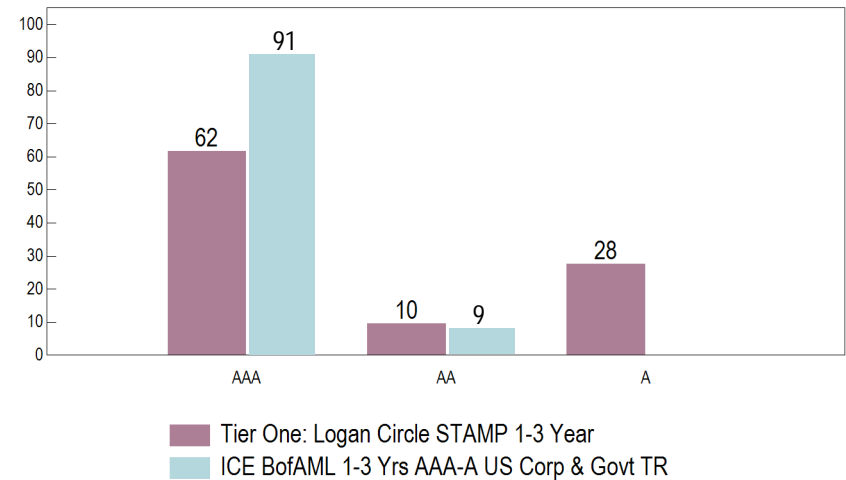
Portfolio Performance Summary

	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Tier One: Logan Circle STAMP 1-3 Year(Gross)	1.075	3.544	1.612	--	--	1.666	May-16
Tier One: Logan Circle STAMP 1-3 Year(Net)	1.071	3.478	1.535	--	--	1.588	
ICE BofAML 1-3 Yrs US Treasuries TR	1.451	3.974	1.298	1.215	1.195	1.386	May-16
ICE BofAML 1-3 Yrs US Corp & Govt TR	1.497	4.302	1.617	1.466	1.632	1.700	May-16
ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR	1.473	4.170	1.487	1.372	1.473	1.570	May-16

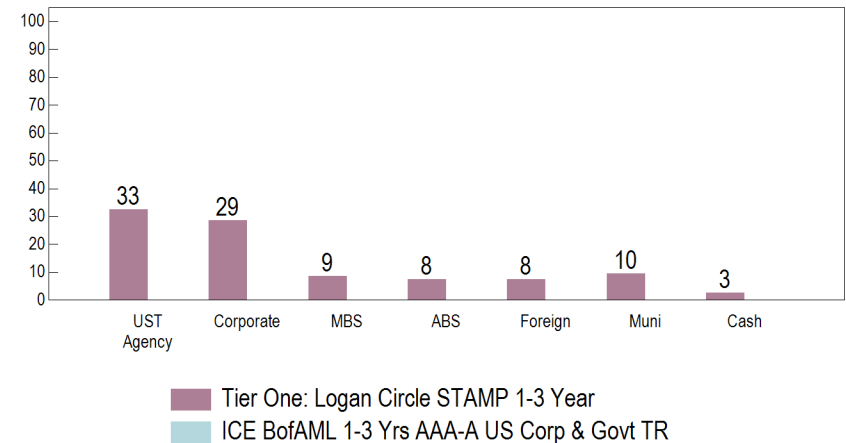
Tier One: Logan Circle STAMP 1-3 Year Fixed Income Characteristics vs. ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR

Fixed Income Characteristics	Portfolio Q2-19	Index Q2-19	Portfolio Q1-19
Yield to Maturity	2.23	1.91	2.63
Average Duration	1.14	1.84	0.99
Average Quality	AA	AA	AA

Credit Quality Allocation



US Sector Allocation



Please note, benchmark allocations for the US Sector Allocation analysis was not available at the time of this report.



Tier Two: Logan Circle STAMP 1-5 Year

As of June 30, 2019

Account Information

Account Name	Tier Two: Logan Circle STAMP 1-5 Year
Account Structure	Separate Account
Investment Style	Active
Inception Date	4/01/13
Account Type	US Fixed Income Short Term
Benchmark	ICE BofAML 1-5 Yrs US Treasuries TR
Universe	eV US Short Duration Fixed Inc Net

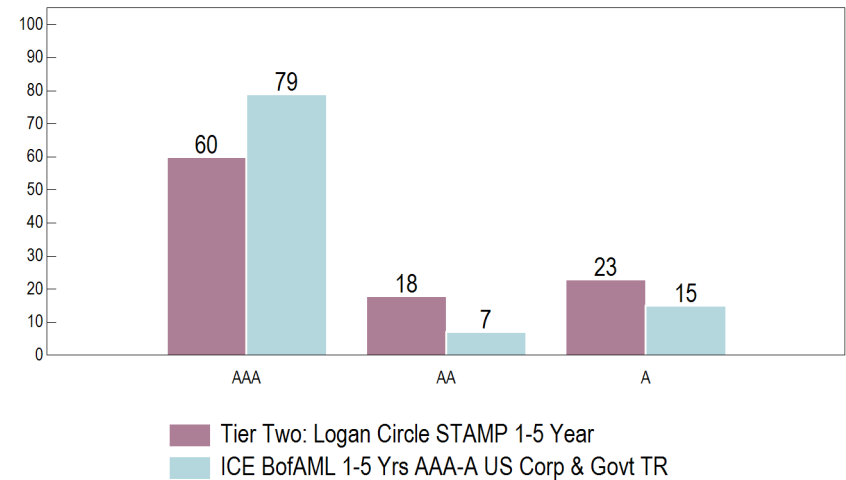
Portfolio Performance Summary

	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Tier Two: Logan Circle STAMP 1-5 Year(Gross)	1.404	4.347	1.563	1.839	--	1.628	Apr-13
Tier Two: Logan Circle STAMP 1-5 Year(Net)	1.373	4.217	1.436	1.712	--	1.501	
ICE BofAML 1-5 Yrs US Treasuries TR	1.837	4.903	1.309	1.545	1.727	1.309	Apr-13
ICE BofAML 1-5 Yrs US Corp & Govt TR	1.927	5.384	1.756	1.851	2.310	1.670	Apr-13
ICE BofAML 1-5 Yrs AAA-A US Corp & Govt TR	1.864	5.143	1.553	1.720	2.069	1.513	Apr-13

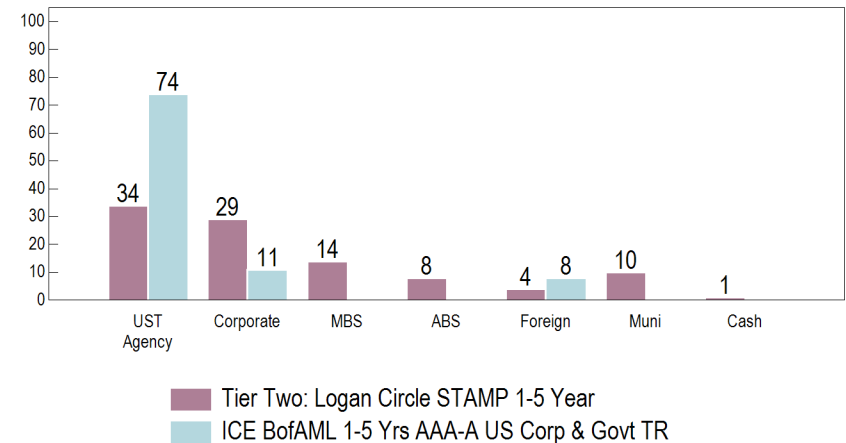
Tier Two: Logan Circle STAMP 1-5 Year Fixed Income Characteristics vs. ICE BofAML 1-5 Yrs AAA-A US Corp & Govt TR

	Portfolio Q2-19	Index Q2-19	Portfolio Q1-19
Fixed Income Characteristics			
Yield to Maturity	2.13	1.91	2.57
Average Duration	1.77	2.58	1.69
Average Quality	AA	AAA	AA

Credit Quality Allocation



US Sector Allocation



Holdings

CALOPTIMA - RESERVE ACCOUNT TIER ONE

Portfolio 2481

Portfolio Positions

as of June 30, 2019

Currency: USD

Units	Security	Identifier	Original Principal Cost Purchased	Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio
Cash							
	CASH OR STIF	USD	832,213.41	832,213.41	0.00	1.000	0.54%
Total for Cash			832,213.41	832,213.41	0.00		0.54%
Treasuries							
24,285,000.000	U.S. TREASURY NOTE	9128286M7	24,293,900.94	24,629,353.77	335,452.83	101.418	16.12%
	Mat: 4/15/22 Cpn: 2.25%		29,260.15	114,955.64			
	Moody's: Aaa S&P: AA+u Fitch: AAA						
	Tr Date: 4/12/19 St Date: 4/18/19						
12,885,000.000	U.S. TREASURY NOTE	9128286U9	12,989,859.24	13,030,962.96	41,103.72	101.133	8.51%
	Mat: 5/15/22 Cpn: 2.13%		19,786.75	34,969.82			
	Moody's: Aaa S&P: AA+u Fitch: AAA						
	Tr Date: 6/5/19 St Date: 6/10/19						
18,500,000.000	U.S. TREASURY NOTE	9128286Y1	18,511,562.50	18,526,738.24	15,175.74	100.145	12.08%
	Mat: 6/15/22 Cpn: 1.75%		11,499.32	14,153.01			
	Moody's: Aaa S&P: AA+u Fitch: AAA						
	Tr Date: 6/27/19 St Date: 6/28/19						
751,000.000	U.S. TREASURY NOTE	9128285Z9	750,706.64	775,759.53	25,052.89	103.297	0.51%
	Mat: 1/31/24 Cpn: 2.50%		1,141.02	7,831.56			
	Moody's: Aaa S&P: AA+u Fitch: AAA						
	Tr Date: 2/21/19 St Date: 2/22/19						
760,000.000	U.S. TREASURY NOTE	912828W71	753,053.13	772,795.31	19,742.18	101.684	0.51%
	Mat: 3/31/24 Cpn: 2.13%		220.63	4,059.56			
	Moody's: Aaa S&P: AA+u Fitch: AAA						
	Tr Date: 4/3/19 St Date: 4/5/19						
Total for Treasuries			57,299,082.45	57,735,609.81	436,527.36		37.73%
			61,907.87	175,969.58			
Government Related							
910,000.000	INTL FINANCE CORP	45950KCM0	907,324.60	915,120.57	7,795.97	100.563	0.60%
	Mat: 1/25/21 Cpn: 2.25%		0.00	8,872.50			
	Moody's: Aaa S&P: AAA Fitch:						
	Tr Date: 1/18/18 St Date: 1/25/18						
1,350,000.000	INTL BANK RECON & DEVELOP	459058GH0	1,346,841.00	1,375,888.95	29,047.95	101.918	0.91%
	Mat: 7/23/21 Cpn: 2.75%		0.00	16,293.75			
	Moody's: Aaa S&P: AAA Fitch:						
	Tr Date: 7/18/18 St Date: 7/25/18						
Total for Government Related			2,254,165.60	2,291,009.52	36,843.92		1.51%
			0.00	25,166.25			



CALOPTIMA - RESERVE ACCOUNT TIER ONE

Portfolio 2481

Portfolio Positions

as of June 30, 2019

Currency: USD

Units	Security	Identifier	Original Principal Cost Purchased	Accrued	Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio
Agencies								
280,000.000	HOUSING URBAN DEVELOPMENT	911759MU9	280,000.00		284,358.48	4,358.48	101.557	0.19%
	Mat: 8/1/21	Cpn: 2.57%		0.00	1,858.97			
	Moody's:	S&P:	Fitch:					
	Tr Date: 3/20/19	St Date: 3/28/19						
1,790,000.000	FHLB	3130AF5B9	1,788,836.50		1,838,455.30	49,618.80	102.707	1.21%
	Mat: 10/12/21	Cpn: 3.00%		0.00	11,784.17			
	Moody's: Aaa	S&P: AA+	Fitch: AAA					
	Tr Date: 10/11/18	St Date: 10/12/18						
760,000.000	FHLMC C 9/6/19 Q	3134GTRY1	760,000.00		760,570.76	570.76	100.075	0.50%
	Mat: 6/6/22	Cpn: 2.63%		0.00	1,385.42			
	Moody's: Aaa	S&P: AA+	Fitch: AAA					
	Tr Date: 5/29/19	St Date: 6/6/19						
765,000.000	FHLMC C 9/20/19 Q	3134GTVK6	765,000.00		765,280.76	280.76	100.037	0.50%
	Mat: 6/20/22	Cpn: 2.55%		0.00	596.06			
	Moody's: Aaa	S&P: AA+	Fitch: AAA					
	Tr Date: 6/17/19	St Date: 6/20/19						
1,430,000.000	FHLMC BERM 12/17	3134GBTL6	1,386,299.20		1,427,334.48	41,035.28	99.814	0.93%
	Mat: 6/29/22	Cpn: 2.10%		250.25	166.83			
	Moody's: Aaa	S&P: AA+	Fitch: AAA					
	Tr Date: 6/29/18	St Date: 7/2/18						
Total for Agencies			4,980,135.70	250.25	5,075,999.78	95,864.08		3.32%
Taxable Muni								
1,050,000.000	CA EARTHQUAKE AUTH TAXABLE	13017HAE6	1,062,568.50		1,049,909.70	(12,658.80)	99.991	0.69%
	Mat: 7/1/19	Cpn: 2.81%		3,272.50	14,726.25			
	Moody's: A3	S&P:	Fitch: A					
	Tr Date: 2/6/15	St Date: 2/11/15						
500,000.000	NY ST GO/ULT-TXBL	649791EJ5	521,530.00		500,958.00	(20,572.00)	100.192	0.33%
	Mat: 9/1/19	Cpn: 3.60%		4,750.00	6,000.00			
	Moody's: Aa1	S&P: AA+	Fitch: AA+					
	Tr Date: 6/1/17	St Date: 6/6/17						
370,000.000	CA CALIFORNIA ST UNIV SYS REV TAXABLE	13077CT38	371,431.90		369,400.23	(2,031.67)	99.838	0.24%
	Mat: 11/1/19	Cpn: 1.98%		1,344.46	1,222.23			
	Moody's: Aa2	S&P: AA-	Fitch:					
	Tr Date: 7/5/17	St Date: 7/7/17						
590,000.000	CA CULVER CITY RDA-TXBL	230340AL5	587,185.70		588,123.21	937.51	99.682	0.38%
	Mat: 11/1/19	Cpn: 1.63%		0.00	1,597.92			
	Moody's:	S&P: AA-	Fitch:					
	Tr Date: 11/15/17	St Date: 12/4/17						



CALOPTIMA - RESERVE ACCOUNT TIER ONE

Portfolio 2481

Portfolio Positions

as of June 30, 2019

Currency: USD

Units	Security	Identifier	Original Principal Cost Purchased	Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio
370,000.000	CA LOS ANGELES MUNI IMPT TAXABLE Mat: 11/1/19 Cpn: 2.85% Moody's: S&P: AA- Fitch: AA- Tr Date: 2/25/16 St Date: 3/1/16	544587C22	381,536.60 2,983.56	370,412.55 1,755.03	(11,124.05)	100.112	0.24%
370,000.000	CA SACRAMENTO WTR DIST REV TXB Mat: 11/1/19 Cpn: 2.71% Moody's: S&P: AA+ Fitch: Tr Date: 5/3/18 St Date: 5/30/18	78607QAT2	370,000.00 0.00	370,284.53 1,672.40	284.53	100.077	0.24%
665,000.000	CA INLAND VLY REDEV AGY TAB TXB Mat: 3/1/20 Cpn: 3.63% Moody's: S&P: AA Fitch: Tr Date: 5/17/18 St Date: 5/18/18	45750TAG8	672,753.90 5,158.90	669,873.12 8,039.85	(2,880.78)	100.733	0.44%
285,000.000	CA LOS ANGELES DEPT AIRPORTS-LAX TXBL Mat: 5/15/20 Cpn: 2.09% Moody's: Aa2 S&P: AA Fitch: AA Tr Date: 4/20/18 St Date: 4/24/18	544445AZ2	281,545.80 2,633.31	284,400.36 761.84	2,854.56	99.790	0.19%
260,000.000	CA UNIVERSITY OF CALIFORNIA-TXBL Mat: 5/15/20 Cpn: 1.88% Moody's: Aa3 S&P: AA- Fitch: AA- Tr Date: 9/20/17 St Date: 9/28/17	91412G2R5	260,000.00 0.00	259,078.56 623.58	(921.44)	99.646	0.17%
690,000.000	CA ST HSG FIN AGY REV-TXBL Mat: 8/1/20 Cpn: 2.30% Moody's: A1 S&P: AA Fitch: Tr Date: 6/21/17 St Date: 6/29/17	13034PZF7	690,000.00 0.00	690,585.81 6,612.50	585.81	100.085	0.45%
850,000.000	CA SAN FRANCISCO REDEV AGY-TXBL Mat: 8/1/20 Cpn: 2.00% Moody's: S&P: AA- Fitch: Tr Date: 11/10/17 St Date: 11/30/17	79770GGM2	848,886.50 0.00	845,910.65 7,083.33	(2,975.85)	99.519	0.56%
550,000.000	CA SAN JOSE REDEV AGY TAB TXB Mat: 8/1/20 Cpn: 2.26% Moody's: S&P: AA Fitch: AA Tr Date: 12/8/17 St Date: 12/21/17	798170AC0	550,000.00 0.00	549,845.45 5,176.88	(154.55)	99.972	0.36%
220,000.000	CA BRENTWOOD INFRA FIN AUTH REV TXB Mat: 9/2/20 Cpn: 2.59% Moody's: S&P: AA Fitch: Tr Date: 2/7/18 St Date: 2/28/18	10727XVB1	220,000.00 0.00	220,065.34 1,884.23	65.34	100.030	0.14%
310,000.000	CA SAN MARCOS REDEV AGY TAB TXB Mat: 10/1/20 Cpn: 2.00% Moody's: S&P: AA- Fitch: Tr Date: 12/1/17 St Date: 12/14/17	79876CBQ0	307,904.40 0.00	308,751.63 1,550.00	847.23	99.597	0.20%



CALOPTIMA - RESERVE ACCOUNT TIER ONE

Portfolio 2481

Portfolio Positions

as of June 30, 2019

Currency: USD

Units	Security	Identifier	Original Principal Cost Purchased	Accrued	Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio
500,000.000	CA SAN DIEGO PUBLIC FACS LEASE REV TXB Mat: 10/15/20 Cpn: 2.82% Moody's: S&P: AA- Fitch: AA- Tr Date: 6/4/18 St Date: 6/21/18	797299LS1	500,000.00	0.00	504,190.00 2,974.56	4,190.00	100.838	0.33%
310,000.000	CA CENTURY HOUSING CORP TXB Mat: 11/1/20 Cpn: 3.82% Moody's: S&P: AA- Fitch: Tr Date: 2/1/19 St Date: 2/7/19	156549AA5	310,000.00	0.00	313,824.16 1,975.73	3,824.16	101.234	0.21%
350,000.000	CA LOS ANGELES MUNI IMPT CORP LEASE TXB Mat: 11/1/20 Cpn: 3.15% Moody's: S&P: AA- Fitch: AA- Tr Date: 4/26/17 St Date: 5/1/17	544587C30	360,734.50	0.00	354,676.00 1,835.17	(6,058.50)	101.336	0.23%
735,000.000	CA INLAND VLY REDEV AGY TAB TXB Mat: 3/1/21 Cpn: 3.98% Moody's: S&P: AA Fitch: Tr Date: 6/12/18 St Date: 6/14/18	45750TAJ2	750,993.60	8,363.30	755,089.76 9,743.65	4,096.16	102.733	0.50%
410,000.000	CA ST EDU FACS AUTH REV-CHAPMAN UNV TXB Mat: 4/1/21 Cpn: 2.26% Moody's: A2 S&P: Fitch: Tr Date: 11/9/17 St Date: 11/16/17	130179KQ6	410,000.00	0.00	409,630.59 2,313.43	(369.41)	99.910	0.27%
1,400,000.000	CA STATE GO/ULT TXBL Mat: 4/1/21 Cpn: 2.80% Moody's: Aa3 S&P: AA- Fitch: AA- Tr Date: 4/18/18 St Date: 4/25/18	13063DGA0	1,400,056.00	0.00	1,418,748.80 9,800.00	18,692.80	101.339	0.93%
292,851.981	CA DEPT WTR RESOURCES-PWR SUPPLY TXB Mat: 5/1/21 Cpn: 1.71% Moody's: Aa1 S&P: AA Fitch: AA+ Tr Date: 9/22/17 St Date: 9/26/17	13066YTY5	289,902.96	2,020.56	291,065.58 836.09	1,162.63	99.390	0.19%
1,100,000.000	CA SAN FRANCISCO AIRPORT COMMN TXB Mat: 5/1/21 Cpn: 2.93% Moody's: A1 S&P: A+ Fitch: A+ Tr Date: 1/11/19 St Date: 2/7/19	79766DLQ0	1,100,000.00	0.00	1,116,492.30 5,366.17	16,492.30	101.499	0.73%
545,000.000	CA SACRAMENTO TRANSIENT OCC TAX REV TXB Mat: 6/1/21 Cpn: 3.46% Moody's: A1 S&P: Fitch: Tr Date: 10/18/18 St Date: 11/1/18	786073AA4	545,000.00	0.00	556,248.26 1,569.15	11,248.26	102.064	0.36%
450,000.000	CA SAN JOSE REDEV AGY TAB TXB Mat: 8/1/21 Cpn: 2.48% Moody's: S&P: AA Fitch: AA Tr Date: 5/16/18 St Date: 5/18/18	798170AD8	440,883.00	3,317.00	453,339.00 4,650.00	12,456.00	100.742	0.30%



CALOPTIMA - RESERVE ACCOUNT TIER ONE

Portfolio 2481

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Currency: USD

Units	Security	Identifier	Original Principal Cost Purchased	Accrued	Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio
450,000.000	CA HESPERIA REDEV AGY SUCCESSOR TXB Mat: 9/1/21 Cpn: 3.00% Moody's: S&P: AA Fitch: Tr Date: 9/12/18 St Date: 10/2/18	42806KAQ6	446,715.00	0.00	457,326.00 4,500.00	10,611.00	101.628	0.30%
1,025,000.000	CA LA QUINTA REDEV AGY TAB TXB Mat: 9/1/21 Cpn: 4.45% Moody's: S&P: AA Fitch: Tr Date: 4/30/19 St Date: 5/2/19	50420BBD3	1,067,814.25	7,728.78	1,076,278.70 15,204.17	8,464.45	105.003	0.71%
520,000.000	CA OAKLAND REDEV AGY PRE-21 TXB Mat: 9/1/21 Cpn: 9.25% Moody's: WR S&P: AA- Fitch: Tr Date: 5/24/18 St Date: 5/29/18	67232PBB8	618,259.20	11,757.78	598,576.16 16,033.33	(19,683.04)	115.111	0.40%
220,000.000	CA BRENTWOOD INFR FIN AUTH REV TXB Mat: 9/2/21 Cpn: 2.81% Moody's: S&P: AA Fitch: Tr Date: 2/7/18 St Date: 2/28/18	10727XVC9	220,000.00	0.00	221,972.96 2,043.49	1,972.96	100.897	0.15%
330,000.000	CT STATE GO/ULT TXB Mat: 10/15/21 Cpn: 2.40% Moody's: A1 S&P: A Fitch: A+ Tr Date: 6/13/19 St Date: 6/17/19	20772JKP6	330,594.00	1,364.57	330,773.85 1,672.70	179.85	100.235	0.22%
560,000.000	CA SAN DIEGO CITY PUB FACS LEASE TXB Mat: 10/15/21 Cpn: 2.99% Moody's: S&P: AA- Fitch: AA- Tr Date: 6/4/18 St Date: 6/21/18	797299LT9	560,000.00	0.00	571,905.60 3,539.57	11,905.60	102.126	0.37%
540,000.000	HI STATE GO/ULT TXB Mat: 1/1/22 Cpn: 2.77% Moody's: Aa1 S&P: AA+ Fitch: AA Tr Date: 2/7/19 St Date: 2/21/19	419792YL4	540,000.00	0.00	550,412.28 5,401.50	10,412.28	101.928	0.36%
640,000.000	CA POMONA REDEV AGY TAX ALLOCATION TXB Mat: 2/1/22 Cpn: 3.55% Moody's: S&P: A+ Fitch: Tr Date: 9/27/18 St Date: 10/11/18	73209MAD9	640,000.00	0.00	663,123.20 9,472.00	23,123.20	103.613	0.44%
930,000.000	CA SAN FRANCISCO AIRPORT COMMN TXB Mat: 5/1/22 Cpn: 3.05% Moody's: A1 S&P: A+ Fitch: A+ Tr Date: 1/11/19 St Date: 2/7/19	79766DLR8	930,000.00	0.00	954,687.78 4,721.30	24,687.78	102.655	0.63%
820,000.000	CA UNIV OF CALIFORNIA REV TXB Mat: 5/15/22 Cpn: 3.28% Moody's: Aa3 S&P: AA- Fitch: AA- Tr Date: 12/13/18 St Date: 12/17/18	91412HDJ9	822,878.20	2,392.94	847,304.36 3,439.85	24,426.16	103.330	0.55%



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Currency: USD

Units	Security	Identifier	Original Principal Cost Purchased	Accrued	Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio
570,000.000	CT STATE OF CONNECTICUT TXB Mat: 4/15/23 Cpn: 2.92% Moody's: A1 S&P: A Fitch: A+ Tr Date: 3/29/19 St Date: 4/11/19	20772KGM5	570,000.00	0.00	581,043.75 3,699.93	11,043.75	101.938	0.38%
Total for Taxable Muni			19,979,174.01	57,087.66	20,104,308.22 169,497.83	125,134.22		13.21%
Credit								
220,000.000	GOLDMAN SACHS Mat: 7/23/19 Cpn: 1.95% Moody's: A3 S&P: BBB+ Fitch: A Tr Date: 7/19/17 St Date: 7/24/17	38141GWP5	219,973.60	0.00	219,946.10 1,882.83	(27.50)	99.976	0.14%
510,000.000	CITIBANK Mat: 9/18/19 Cpn: 1.85% Moody's: Aa3 S&P: A+ Fitch: A+ Tr Date: 9/13/17 St Date: 9/18/17	17325FAF5	509,989.80	0.00	509,505.30 2,699.46	(484.50)	99.903	0.33%
225,000.000	GILEAD SCIENCES Mat: 9/20/19 Cpn: 1.85% Moody's: A3 S&P: A Fitch: Tr Date: 9/14/17 St Date: 9/21/17	375558BR3	224,921.25	0.00	224,772.75 1,167.81	(148.50)	99.899	0.15%
285,000.000	FIFTH THIRD BANK Mat: 9/27/19 Cpn: 1.63% Moody's: A3 S&P: A- Fitch: A- Tr Date: 9/22/16 St Date: 9/27/16	31677QBH1	284,526.90	0.00	284,471.33 1,209.27	(55.58)	99.815	0.19%
245,000.000	WAL-MART STORES Mat: 10/9/19 Cpn: 1.75% Moody's: Aa2 S&P: AA Fitch: AA Tr Date: 10/11/17 St Date: 10/20/17	931142DY6	244,995.10	0.00	244,649.65 976.60	(345.45)	99.857	0.16%
400,000.000	PNC BANK Mat: 10/18/19 Cpn: 2.40% Moody's: A2 S&P: A Fitch: A+ Tr Date: 9/12/17 St Date: 9/14/17	69353RDZ8	404,552.00	3,893.33	399,990.00 1,946.67	(4,562.00)	99.998	0.26%
430,000.000	PROCTER & GAMBLE Mat: 10/25/19 Cpn: 1.75% Moody's: Aa3 S&P: AA- Fitch: Tr Date: 10/23/17 St Date: 10/25/17	742718EZ8	429,849.50	0.00	429,165.80 1,379.58	(683.70)	99.806	0.28%
475,000.000	HONEYWELL INTL Mat: 10/30/19 Cpn: 1.40% Moody's: A2 S&P: A Fitch: A Tr Date: 10/24/16 St Date: 10/31/16	438516BJ4	474,624.75	0.00	473,601.13 1,126.81	(1,023.63)	99.706	0.31%



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355,000.000	CHEVRON Mat: 11/15/19 Cpn: 2.19% Moody's: Aa2 S&P: AA Fitch: Tr Date: 5/8/17 St Date: 5/11/17	166764AN0	357,879.05	3,806.07	354,927.23	(2,951.83)	99.980	0.23%
175,000.000	DUKE ENERGY FLORIDA Mat: 12/15/19 Cpn: 2.10% Moody's: A3 S&P: A- Fitch: Tr Date: 5/24/18 St Date: 5/29/18	26444HAD3	173,985.00	755.42	174,780.38	795.38	99.875	0.11%
170,000.000	CATERPILLAR FINANCIAL Mat: 1/10/20 Cpn: 2.10% Moody's: A3 S&P: A Fitch: A Tr Date: 1/5/17 St Date: 1/12/17	14912L6Y2	169,813.00	0.00	169,805.35	(7.65)	99.886	0.11%
510,000.000	CITIGROUP Mat: 1/10/20 Cpn: 2.45% Moody's: A3 S&P: BBB+ Fitch: A Tr Date: 1/4/17 St Date: 1/10/17	172967LF6	509,796.00	0.00	510,193.80	397.80	100.038	0.34%
510,000.000	BRANCH BANKING & TRUST Mat: 1/15/20 Cpn: 2.10% Moody's: A1 S&P: A Fitch: A+ Tr Date: 1/23/17 St Date: 1/26/17	07330NAN5	509,959.20	0.00	509,367.60	(591.60)	99.876	0.34%
760,000.000	WELLS FARGO Mat: 1/15/20 Cpn: 2.40% Moody's: Aa2 S&P: A+ Fitch: AA- Tr Date: 1/16/18 St Date: 1/23/18	94988J5L7	759,361.60	0.00	760,402.80	1,041.20	100.053	0.50%
735,000.000	US BANK CINCINNATI Mat: 1/23/20 Cpn: 2.35% Moody's: A1 S&P: AA- Fitch: AA- Tr Date: 1/18/18 St Date: 1/23/18	90331HNJ8	734,669.25	0.00	735,319.73	650.48	100.044	0.48%
545,000.000	US BANK CINCINNATI Mat: 1/24/20 Cpn: 2.00% Moody's: A1 S&P: AA- Fitch: AA- Tr Date: 1/19/17 St Date: 1/24/17	90331HNB5	543,850.05	0.00	544,310.58	460.53	99.874	0.36%
520,000.000	IBM Mat: 1/27/20 Cpn: 1.90% Moody's: A1 S&P: A Fitch: Au Tr Date: 1/24/17 St Date: 1/27/17	459200JN2	519,500.80	0.00	519,048.40	(452.40)	99.817	0.34%
530,000.000	CAPITAL ONE Mat: 1/31/20 Cpn: 2.35% Moody's: Baa1 S&P: BBB+ Fitch: A- Tr Date: 1/26/17 St Date: 1/31/17	14042RFH9	529,682.00	0.00	529,952.30	270.30	99.991	0.35%



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Units	Security	Identifier	Original Principal Cost Purchased	Accrued	Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio
505,000.000	MICROSOFT Mat: 2/6/20 Cpn: 1.85% Moody's: Aaa S&P: AAA Fitch: AA+u Tr Date: 1/30/17 St Date: 2/6/17	594918BV5	504,661.65	0.00	504,015.25 3,762.95	(646.40)	99.805	0.33%
535,000.000	ESTEE LAUDER CO Mat: 2/7/20 Cpn: 1.80% Moody's: A2 S&P: A+ Fitch: Tr Date: 2/6/17 St Date: 2/9/17	29736RAL4	534,925.10	0.00	533,568.88 3,852.00	(1,356.23)	99.733	0.35%
225,000.000	PACCAR FINANCIAL Mat: 2/27/20 Cpn: 1.95% Moody's: A1 S&P: A+ Fitch: Tr Date: 2/22/17 St Date: 2/27/17	69371RN69	224,595.00	0.00	224,586.00 1,511.25	(9.00)	99.816	0.15%
690,000.000	KIMBERLY-CLARK Mat: 3/1/20 Cpn: 1.85% Moody's: A2 S&P: A Fitch: WD Tr Date: 5/5/17 St Date: 5/10/17	494368BP7	689,710.20	2,446.63	688,088.70 4,255.00	(1,621.50)	99.723	0.45%
250,000.000	CITIZENS BANK Mat: 3/2/20 Cpn: 2.25% Moody's: Baa1 S&P: A- Fitch: BBB+ Tr Date: 2/27/17 St Date: 3/2/17	17401QAG6	249,762.50	0.00	249,721.25 1,859.38	(41.25)	99.889	0.16%
250,000.000	HUNTINGTON NATL BANK Mat: 3/10/20 Cpn: 2.38% Moody's: A3 S&P: A- Fitch: A- Tr Date: 3/7/17 St Date: 3/10/17	446438RU9	249,985.00	0.00	249,928.75 1,830.73	(56.25)	99.972	0.16%
730,000.000	HUNTINGTON NATL BANK FRN Mat: 3/10/20 Cpn: 2.96% Moody's: A3 S&P: A- Fitch: A- Tr Date: 11/14/17 St Date: 11/16/17	446438RV7	734,234.00	2,445.43	731,979.03 1,261.74	(2,254.97)	100.271	0.48%
400,000.000	JOHN DEERE CAPITAL Mat: 3/13/20 Cpn: 2.20% Moody's: A2 S&P: A Fitch: A Tr Date: 3/10/17 St Date: 3/15/17	24422ETQ2	399,688.00	0.00	399,846.00 2,640.00	158.00	99.962	0.26%
665,000.000	APPLE Mat: 5/11/20 Cpn: 1.80% Moody's: Aa1 S&P: AA+ Fitch: Tr Date: 5/4/17 St Date: 5/11/17	037833CS7	664,321.70	0.00	663,310.90 1,662.50	(1,010.80)	99.746	0.43%
725,000.000	INTEL Mat: 5/11/20 Cpn: 1.85% Moody's: A1 S&P: A+ Fitch: A+ Tr Date: 5/8/17 St Date: 5/11/17	458140AZ3	724,724.50	0.00	722,629.25 1,862.85	(2,095.25)	99.673	0.47%



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Units	Security	Identifier	Original Principal Cost Purchased	Accrued	Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio
720,000.000	PNC BANK Mat: 5/19/20 Cpn: 2.00% Moody's: A2 S&P: A Fitch: A+ Tr Date: 5/16/17 St Date: 5/19/17	69353RFC7	719,186.40	0.00	718,354.80 1,680.00	(831.60)	99.772	0.47%
440,000.000	VERIZON COMMUNICATIONS FRN Mat: 5/22/20 Cpn: 3.07% Moody's: Baa1 S&P: BBB+ Fitch: A- Tr Date: 5/11/17 St Date: 5/22/17	92343VDZ4	440,000.00	0.00	442,425.28 1,502.54	2,425.28	100.551	0.29%
250,000.000	CITIZENS BANK Mat: 5/26/20 Cpn: 2.20% Moody's: Baa1 S&P: A- Fitch: BBB+ Tr Date: 5/22/17 St Date: 5/26/17	17401QAJ0	249,770.00	0.00	249,698.75 534.72	(71.25)	99.880	0.16%
515,000.000	CITIBANK Mat: 6/12/20 Cpn: 2.10% Moody's: Aa3 S&P: A+ Fitch: A+ Tr Date: 6/6/17 St Date: 6/12/17	17325FAE8	514,778.55	0.00	514,338.23 570.79	(440.33)	99.872	0.34%
360,000.000	JOHN DEERE CAPITAL CORP Mat: 6/22/20 Cpn: 1.95% Moody's: A2 S&P: A Fitch: A Tr Date: 6/19/17 St Date: 6/22/17	24422ETS8	359,780.40	0.00	359,195.40 175.50	(585.00)	99.777	0.23%
270,000.000	MANUFACTURERS & TRADERS TRUST Mat: 8/17/20 Cpn: 2.05% Moody's: A3 S&P: A Fitch: A Tr Date: 8/14/17 St Date: 8/17/17	55279HAN0	269,773.20	0.00	269,523.45 2,060.25	(249.75)	99.824	0.18%
640,000.000	CATERPILLAR FINANCIAL Mat: 9/4/20 Cpn: 1.85% Moody's: A3 S&P: A Fitch: A Tr Date: 9/5/17 St Date: 9/7/17	14913Q2A6	639,462.40	0.00	637,814.40 3,848.00	(1,648.00)	99.659	0.42%
590,000.000	COMCAST Mat: 10/1/20 Cpn: 3.30% Moody's: A3 S&P: A- Fitch: A- Tr Date: 10/2/18 St Date: 10/5/18	20030NCP4	589,834.80	0.00	598,286.55 4,867.50	8,451.75	101.405	0.39%
730,000.000	UNITEDHEALTH GROUP Mat: 10/15/20 Cpn: 1.95% Moody's: A3 S&P: A+ Fitch: A- Tr Date: 10/18/17 St Date: 10/25/17	91324PDC3	728,788.20	0.00	727,233.30 3,005.17	(1,554.90)	99.621	0.48%
325,000.000	CITIBANK Mat: 10/20/20 Cpn: 2.13% Moody's: Aa3 S&P: A+ Fitch: A+ Tr Date: 10/13/17 St Date: 10/20/17	17325FAJ7	324,886.25	0.00	324,483.25 1,362.07	(403.00)	99.841	0.21%



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Units	Security	Identifier	Original Principal Cost Purchased	Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio
685,000.000	AMERICAN EXPRESS Mat: 10/30/20 Cpn: 2.20% Moody's: A3 S&P: BBB+ Fitch: A Tr Date: 10/23/17 St Date: 10/30/17	025816BP3	684,109.50 0.00	683,880.03 2,553.53	(229.48)	99.837	0.45%
200,000.000	FIFTH THIRD BANK Mat: 10/30/20 Cpn: 2.20% Moody's: A3 S&P: A- Fitch: A- Tr Date: 10/25/17 St Date: 10/30/17	31677QBK4	199,924.00 0.00	199,848.00 745.56	(76.00)	99.924	0.13%
370,000.000	PNC BANK Mat: 11/5/20 Cpn: 2.45% Moody's: A2 S&P: A Fitch: A+ Tr Date: 10/18/17 St Date: 10/23/17	69353REU8	373,478.00 4,230.33	370,878.75 1,410.11	(2,599.25)	100.238	0.24%
240,000.000	ANTHEM Mat: 11/21/20 Cpn: 2.50% Moody's: Baa2 S&P: A Fitch: BBB Tr Date: 11/14/17 St Date: 11/21/17	036752AE3	239,572.80 0.00	240,512.40 666.67	939.60	100.214	0.16%
755,000.000	PINNACLE WEST CAPITAL Mat: 11/30/20 Cpn: 2.25% Moody's: A3 S&P: BBB+ Fitch: A- Tr Date: 11/28/17 St Date: 11/30/17	723484AG6	754,524.35 0.00	753,833.53 1,462.81	(690.83)	99.846	0.49%
505,000.000	GOLDMAN SACHS Mat: 12/27/20 Cpn: 2.60% Moody's: A3 S&P: BBB+ Fitch: A Tr Date: 3/22/17 St Date: 3/27/17	38141GWG5	504,651.55 0.00	505,578.23 145.89	926.68	100.115	0.33%
435,000.000	JOHN DEERE CAPITAL CORP Mat: 1/8/21 Cpn: 2.35% Moody's: A2 S&P: A Fitch: A Tr Date: 1/3/18 St Date: 1/8/18	24422ETZ2	434,773.80 0.00	436,444.20 4,912.48	1,670.40	100.332	0.29%
500,000.000	AVALONBAY COMMUNITIES FRN Mat: 1/15/21 Cpn: 3.03% Moody's: A3 S&P: A- Fitch: Tr Date: 5/3/18 St Date: 5/7/18	05348EBD0	500,156.20 1,466.78	500,215.00 3,236.94	58.80	100.043	0.33%
710,000.000	MANUFACTURERS & TRADERS TRUST Mat: 1/25/21 Cpn: 2.63% Moody's: A3 S&P: A Fitch: A Tr Date: 1/22/18 St Date: 1/25/18	55279HAR1	709,041.50 0.00	713,940.50 8,076.25	4,899.00	100.555	0.47%
740,000.000	SUNTRUST BANK Mat: 1/29/21 Cpn: 2.59% Moody's: Baa1 S&P: A- Fitch: A- Tr Date: 1/26/18 St Date: 2/2/18	86787EAU1	740,000.00 0.00	740,728.90 8,092.31	728.90	100.099	0.49%



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Units	Security	Identifier	Original Principal Cost Purchased	Accrued	Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio
770,000.000	BB&T CORPORATION Mat: 2/1/21 Cpn: 2.15% Moody's: A2 S&P: A- Fitch: A+ Tr Date: 10/23/17 St Date: 10/26/17	05531FAZ6	769,645.80	0.00	768,918.15 6,897.92	(727.65)	99.860	0.51%
390,000.000	JPMORGAN CHASE Mat: 2/1/21 Cpn: 2.60% Moody's: Aa2 S&P: A+ Fitch: AA Tr Date: 1/29/18 St Date: 2/1/18	48125LRK0	390,000.00	0.00	390,604.50 4,231.50	604.50	100.155	0.26%
730,000.000	JPMORGAN CHASE FRN Mat: 3/9/21 Cpn: 3.00% Moody's: A2 S&P: A- Fitch: AA- Tr Date: 11/14/17 St Date: 11/16/17	46647PAC0	732,547.70	2,498.96	731,294.29 1,278.78	(1,253.41)	100.177	0.48%
685,000.000	REGIONS BANK Mat: 4/1/21 Cpn: 2.75% Moody's: Baa2 S&P: A- Fitch: BBB+ Tr Date: 1/23/18 St Date: 1/26/18	759187CB1	684,931.50	0.00	689,147.68 4,709.38	4,216.18	100.606	0.45%
725,000.000	US BANK CINCINNATI FRN Mat: 4/26/21 Cpn: 2.91% Moody's: A1 S&P: AA- Fitch: AA- Tr Date: 4/24/18 St Date: 4/26/18	90331HNQ2	725,000.00	0.00	726,292.68 3,863.06	1,292.68	100.178	0.48%
600,000.000	PACCAR FINANCIAL FRN Mat: 5/10/21 Cpn: 2.81% Moody's: A1 S&P: A+ Fitch: Tr Date: 5/7/18 St Date: 5/10/18	69371RP34	600,000.00	0.00	600,990.60 2,431.11	990.60	100.165	0.39%
500,000.000	AMERICAN EXPRESS FRN Mat: 5/17/21 Cpn: 3.05% Moody's: A3 S&P: BBB+ Fitch: A Tr Date: 5/14/18 St Date: 5/17/18	025816BV0	500,000.00	0.00	502,054.00 1,906.33	2,054.00	100.411	0.33%
265,000.000	DTE ELECTRIC Mat: 6/1/21 Cpn: 3.90% Moody's: Aa3 S&P: A Fitch: A+ Tr Date: 10/4/18 St Date: 10/9/18	250847EG1	267,618.20	3,674.67	272,682.35 861.25	5,064.15	102.899	0.18%
620,000.000	JPMORGAN CHASE FRN Mat: 6/1/21 Cpn: 3.20% Moody's: A2 S&P: A- Fitch: AA- Tr Date: 5/23/17 St Date: 6/1/17	46647PAG1	620,000.00	0.00	622,235.10 1,543.23	2,235.10	100.361	0.41%
500,000.000	WAL-MART STORES Mat: 6/23/21 Cpn: 3.13% Moody's: Aa2 S&P: AA Fitch: AA Tr Date: 6/20/18 St Date: 6/27/18	931142EJ8	499,975.00	0.00	510,992.50 347.22	11,017.50	102.199	0.33%



CALOPTIMA - RESERVE ACCOUNT TIER ONE

Portfolio 2481

Portfolio Positions

as of June 30, 2019

Currency: USD

Units	Security	Identifier	Original Principal Cost Purchased	Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio
845,000.000	BANK OF AMERICA Mat: 7/21/21 Cpn: 2.37% Moody's: A2 S&P: A- Fitch: A+ Tr Date: 7/18/17 St Date: 7/21/17	06051GGP8	845,000.00 0.00	844,311.33 8,896.91	(688.68)	99.919	0.56%
770,000.000	WELLS FARGO Mat: 7/23/21 Cpn: 3.33% Moody's: Aa2 S&P: A+ Fitch: AA- Tr Date: 7/16/18 St Date: 7/23/18	94988J5P8	770,000.00 0.00	777,415.10 11,236.65	7,415.10	100.963	0.51%
735,000.000	FIFTH THIRD BANK Mat: 7/26/21 Cpn: 3.35% Moody's: A3 S&P: A- Fitch: A- Tr Date: 7/23/18 St Date: 7/26/18	31677QBN8	734,816.25 0.00	750,523.20 10,601.35	15,706.95	102.112	0.50%
730,000.000	CATERPILLAR FINANCIAL Mat: 9/7/21 Cpn: 3.15% Moody's: A3 S&P: A Fitch: A Tr Date: 9/4/18 St Date: 9/7/18	14913Q2N8	729,437.90 0.00	744,859.15 7,281.75	15,421.25	102.036	0.49%
490,000.000	JOHN DEERE CAPITAL CORP Mat: 9/10/21 Cpn: 3.13% Moody's: A2 S&P: A Fitch: A Tr Date: 9/5/18 St Date: 9/10/18	24422EUK3	489,848.10 0.00	499,917.60 4,721.35	10,069.50	102.024	0.33%
360,000.000	BANK OF AMERICA Mat: 10/1/21 Cpn: 2.33% Moody's: A2 S&P: A- Fitch: A+ Tr Date: 9/13/17 St Date: 9/18/17	06051GGS2	360,000.00 0.00	359,494.20 2,095.20	(505.80)	99.860	0.24%
295,000.000	COMCAST Mat: 10/1/21 Cpn: 3.45% Moody's: A3 S&P: A- Fitch: A- Tr Date: 10/2/18 St Date: 10/5/18	20030NCQ2	294,702.05 0.00	303,656.78 2,544.38	8,954.73	102.935	0.20%
126,000.000	MORGAN STANLEY FRN Mat: 1/20/22 Cpn: 3.77% Moody's: A3 S&P: BBB+ Fitch: A Tr Date: 3/3/17 St Date: 3/8/17	61746BEE2	127,401.12 363.56	127,334.97 924.02	(66.15)	101.060	0.08%
680,000.000	BANK OF AMERICA Mat: 1/23/22 Cpn: 2.74% Moody's: A2 S&P: A- Fitch: A+ Tr Date: 1/18/18 St Date: 1/23/18	06051GGY9	680,000.00 0.00	683,199.40 8,171.41	3,199.40	100.471	0.45%
121,000.000	WELLS FARGO FRN Mat: 2/11/22 Cpn: 3.47% Moody's: A2 S&P: A- Fitch: A+ Tr Date: 2/6/17 St Date: 2/13/17	949746SP7	121,000.00 0.00	121,732.78 570.71	732.78	100.606	0.08%



CALOPTIMA - RESERVE ACCOUNT TIER ONE

Portfolio 2481

Portfolio Positions

as of June 30, 2019

Currency: USD

Units	Security	Identifier	Original Principal Cost Purchased	Accrued	Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio
660,000.000	AMERIPRISE FINANCIAL Mat: 3/22/22 Cpn: 3.00% Moody's: A3 S&P: A Fitch: Tr Date: 3/12/19 St Date: 3/22/19	03076CAJ5	658,320.30	0.00	672,972.30 5,445.00	14,652.00	101.966	0.44%
510,000.000	CITIGROUP FRN Mat: 4/25/22 Cpn: 3.54% Moody's: A3 S&P: BBB+ Fitch: A Tr Date: 4/18/17 St Date: 4/25/17	172967LH2	510,000.00	0.00	514,796.55 3,360.29	4,796.55	100.941	0.34%
460,000.000	BANK OF AMERICA Mat: 5/17/22 Cpn: 3.50% Moody's: A2 S&P: A- Fitch: A+ Tr Date: 5/14/18 St Date: 5/17/18	06051GHH5	460,000.00	0.00	469,370.20 1,967.22	9,370.20	102.037	0.31%
785,000.000	SUNTRUST BANK Mat: 5/17/22 Cpn: 2.80% Moody's: Baa1 S&P: A- Fitch: A-e Tr Date: 5/14/19 St Date: 5/17/19	86787EBE6	784,599.65	0.00	795,256.03 2,686.44	10,656.38	101.307	0.52%
620,000.000	AMERICAN EXPRESS Mat: 5/20/22 Cpn: 2.75% Moody's: A3 S&P: BBB+ Fitch: A Tr Date: 5/15/19 St Date: 5/20/19	025816CD9	619,256.00	0.00	627,815.10 1,941.81	8,559.10	101.261	0.41%
175,000.000	RYDER SYSTEM Mat: 6/1/22 Cpn: 2.88% Moody's: Baa1 S&P: BBB+ Fitch: A- Tr Date: 5/15/19 St Date: 5/22/19	78355HKM0	174,898.50	0.00	177,206.75 545.05	2,308.25	101.261	0.12%
730,000.000	GOLDMAN SACHS FRN Mat: 10/31/22 Cpn: 3.36% Moody's: A3 S&P: BBB+ Fitch: A Tr Date: 11/14/17 St Date: 11/16/17	38148YAB4	729,284.60	700.83	730,634.37 4,227.72	1,349.77	100.087	0.48%
375,000.000	JPMORGAN CHASE Mat: 4/1/23 Cpn: 3.21% Moody's: A2 S&P: A- Fitch: AA- Tr Date: 3/15/19 St Date: 3/22/19	46647PBB1	375,000.00	0.00	382,725.00 3,307.22	7,725.00	102.060	0.25%
Total for Credit			37,808,311.07	26,282.01	37,947,529.77	139,218.70		24.88%

Mortgage-Backed

7,307.550	FHMS KP03 A2 CMBS Mat: 7/25/19 Cpn: 1.78% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 6/7/17 St Date: 6/12/17	3137BNN26	7,325.82	3.97	7,295.19 10.84	(30.63)	99.831	0.00%
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CALOPTIMA - RESERVE ACCOUNT TIER ONE

Portfolio 2481

Portfolio Positions

as of June 30, 2019

Currency: USD

Units	Security	Identifier	Original Principal Cost Purchased	Accrued	Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio	
6,592.450	FNMA #890170 10YR Mat: 9/1/19 Cpn: 4.50% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 10/3/14 St Date: 10/20/14	31410K6F6	6,992.12	15.66	6,731.95	24.72	(260.17)	102.116	0.00%
3,444.076	FNA 2015-M13 ASQ2 CMBS Mat: 9/25/19 Cpn: 1.65% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 10/7/15 St Date: 10/30/15	3136AQDQ0	3,478.56	4.57	3,437.78	4.72	(40.78)	99.817	0.00%
1,058,598.652	FHMS K005 A2 CMBS Mat: 11/25/19 Cpn: 4.32% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 6/12/18 St Date: 6/15/18	31398WD35	1,079,026.30	1,777.21	1,060,279.71	3,808.31	(18,746.59)	100.159	0.69%
1,670,000.000	FHMS KP04 AG1 1MOFRN CMBS Mat: 7/25/20 Cpn: 2.65% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 11/15/17 St Date: 11/28/17	3137FBUV6	1,670,000.00	0.00	1,669,367.07	737.72	(632.93)	99.962	1.09%
1,783,200.239	FHMS K504 A2 CMBS Mat: 9/25/20 Cpn: 2.57% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 5/29/18 St Date: 6/1/18	3137BMLC8	1,777,246.50	1,803.35	1,782,570.77	3,813.08	5,324.27	99.965	1.16%
362,338.445	NGN 2010-R3 2A 1MOFRN NCUA GNTD Mat: 12/8/20 Cpn: 2.98% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 7/7/17 St Date: 7/12/17	62888WAB2	364,348.29	89.75	363,577.64	719.48	(770.65)	100.342	0.24%
249,986.860	FNA 2011-M5 A2 CMBS Mat: 7/25/21 Cpn: 2.94% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 9/26/18 St Date: 9/28/18	3136A07H4	248,580.69	551.22	253,742.66	612.47	5,161.98	101.502	0.17%
473,196.902	FNA 2018-M5 A2 CMBS Mat: 9/25/21 Cpn: 3.56% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 4/10/18 St Date: 4/30/18	3136B1XP4	482,609.26	1,357.03	482,696.80	1,403.82	87.54	102.008	0.32%
468,869.409	FHMS KI02 A 1MOFRN CMBS Mat: 2/25/23 Cpn: 2.63% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 8/1/18 St Date: 8/14/18	3137FGZN8	468,869.41	0.00	468,049.82	205.56	(819.58)	99.825	0.31%
512,077.167	FHMS KI03 A 1MOFRN CMBS Mat: 2/25/23 Cpn: 2.68% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 10/23/18 St Date: 10/31/18	3137FJXN4	512,077.17	0.00	511,604.52	228.77	(472.65)	99.908	0.33%



CALOPTIMA - RESERVE ACCOUNT TIER ONE

Portfolio 2481

Portfolio Positions

as of June 30, 2019

Currency: USD

Units	Security	Identifier	Original Principal Cost Purchased	Accrued	Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio
461,868.899	FHMS K724 A1 CMBS Mat: 3/25/23 Cpn: 2.78% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 7/9/18 St Date: 7/12/18	3137BTTZ4	458,765.72	391.77	467,651.50 1,068.46	8,885.78	101.252	0.31%
864,207.778	FHMS J22F A1 CMBS Mat: 5/25/23 Cpn: 3.45% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 11/7/18 St Date: 11/19/18	3137FJYA1	864,184.44	1,492.49	889,612.89 2,487.48	25,428.45	102.940	0.58%
Total for Mortgage-Backed			7,943,504.28	7,487.01	7,966,618.31	23,114.03		5.20%

Asset-Backed

94,067.816	MERCEDES 2017-A A3 LEASE Mat: 4/15/20 Cpn: 1.79% Moody's: S&P: AAA Fitch: AAA Tr Date: 4/19/17 St Date: 4/26/17	58769DAD2	94,065.67	0.00	94,027.74 74.84	(37.93)	99.957	0.06%
149,588.844	BMW 2017-1 A3 LEASE Mat: 5/20/20 Cpn: 1.98% Moody's: Aaa S&P: Fitch: AAA Tr Date: 3/15/17 St Date: 3/22/17	055657AC4	149,571.66	0.00	149,519.58 90.50	(52.07)	99.954	0.10%
650,000.000	NISSAN 2017-B A3 LEASE Mat: 9/15/20 Cpn: 2.05% Moody's: Aaa S&P: Fitch: AAA Tr Date: 10/3/17 St Date: 10/10/17	65479BAD2	649,886.45	0.00	649,689.95 592.22	(196.50)	99.952	0.42%
288,552.527	BMW 2017-2 A3 LEASE Mat: 10/20/20 Cpn: 2.07% Moody's: Aaa S&P: Fitch: AAA Tr Date: 10/17/17 St Date: 10/25/17	05584PAD9	288,552.30	0.00	288,502.90 182.51	(49.40)	99.983	0.19%
170,984.173	BMW 2016-A A3 CAR Mat: 11/25/20 Cpn: 1.16% Moody's: Aaa S&P: Fitch: AAA Tr Date: 7/12/16 St Date: 7/20/16	05582QAD9	170,983.40	0.00	170,610.23 33.06	(373.17)	99.781	0.11%
534,556.682	TOYOTA 2017-A A3 CAR Mat: 2/16/21 Cpn: 1.73% Moody's: Aaa S&P: AAA Fitch: Tr Date: 3/7/17 St Date: 3/15/17	89238MAD0	534,493.77	0.00	533,333.62 411.01	(1,160.15)	99.771	0.35%
408,251.867	JOHN DEERE 2017-A A3 EQP Mat: 4/15/21 Cpn: 1.78% Moody's: Aaa S&P: Fitch: AAA Tr Date: 2/22/17 St Date: 3/2/17	47787XAC1	408,193.73	0.00	407,447.61 322.97	(746.12)	99.803	0.27%



CALOPTIMA - RESERVE ACCOUNT TIER ONE

Portfolio 2481

Portfolio Positions

as of June 30, 2019

Currency: USD

Units	Security	Identifier	Original Principal Cost Purchased	Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio
235,240.915	USAA 2017-1 A3 CAR Mat: 5/17/21 Cpn: 1.70% Moody's: Aaa S&P: AAA Fitch: Tr Date: 9/13/17 St Date: 9/20/17	90290AAC1	235,216.12 0.00	234,750.20 177.74	(465.92)	99.791	0.15%
44,143.402	SDART 2017-1 B CAR Mat: 6/15/21 Cpn: 2.10% Moody's: Aaa S&P: AAA Fitch: Tr Date: 2/23/17 St Date: 2/28/17	80284TAH8	44,140.02 0.00	44,127.78 41.20	(12.24)	99.965	0.03%
1,093,845.648	TOYOTA 2017-B A3 CAR Mat: 7/15/21 Cpn: 1.76% Moody's: Aaa S&P: AAA Fitch: Tr Date: 5/9/17 St Date: 5/17/17	89190BAD0	1,093,761.75 0.00	1,092,123.94 855.63	(1,637.82)	99.843	0.71%
270,000.000	BMW 2018-1 A3 LEASE Mat: 7/20/21 Cpn: 3.26% Moody's: Aaa S&P: AAA Fitch: Tr Date: 10/10/18 St Date: 10/17/18	05586CAC8	269,962.47 0.00	273,589.65 268.95	3,627.18	101.330	0.18%
631,423.557	HONDA 2017-1 A3 CAR Mat: 7/21/21 Cpn: 1.72% Moody's: Aaa S&P: Fitch: AAA Tr Date: 3/21/17 St Date: 3/28/17	43814TAC6	631,385.99 0.00	629,607.58 301.68	(1,778.40)	99.712	0.41%
570,000.000	NISSAN 2018-A A3 LEASE Mat: 9/15/21 Cpn: 3.25% Moody's: Aaa S&P: AAA Fitch: Tr Date: 10/16/18 St Date: 10/24/18	65478BAD3	569,950.18 0.00	577,656.81 823.33	7,706.63	101.343	0.38%
723,123.427	HONDA 2017-3 A3 CAR Mat: 9/20/21 Cpn: 1.79% Moody's: S&P: AAA Fitch: AAA Tr Date: 9/25/17 St Date: 9/29/17	43814PAC4	723,045.11 0.00	721,242.58 467.42	(1,802.53)	99.740	0.47%
340,420.246	JOHN DEERE 2017-B A3 EQP Mat: 10/15/21 Cpn: 1.82% Moody's: Aaa S&P: Fitch: AAA Tr Date: 7/11/17 St Date: 7/18/17	47788BAD6	340,395.33 0.00	339,575.32 275.36	(820.01)	99.752	0.22%
1,340,000.000	CHASE 2017-A1 A CDT 1MOFRN Mat: 1/15/22 Cpn: 2.69% Moody's: NR S&P: AAA Fitch: AAA Tr Date: 1/30/17 St Date: 2/6/17	161571HJ6	1,340,000.00 0.00	1,343,213.32 1,404.00	3,213.32	100.240	0.88%
270,000.000	BMW 2018-1 A4 LEASE Mat: 3/21/22 Cpn: 3.36% Moody's: Aaa S&P: AAA Fitch: Tr Date: 10/10/18 St Date: 10/17/18	05586CAD6	269,997.60 0.00	275,206.68 277.20	5,209.08	101.928	0.18%



CALOPTIMA - RESERVE ACCOUNT TIER ONE

Portfolio 2481

Portfolio Positions

as of June 30, 2019

Currency: USD

Units	Security	Identifier	Original Principal Cost Purchased	Accrued	Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio
1,460,000.000	CITI 2017-A3 A3 CDT Mat: 4/7/22 Cpn: 1.92% Moody's: NR S&P: AAA Fitch: AAA Tr Date: 4/4/17 St Date: 4/11/17	17305EGB5	1,459,579.37	0.00	1,457,094.60 6,540.80	(2,484.77)	99.801	0.95%
740,000.000	TOYOTA 2018-A A3 CAR Mat: 5/16/22 Cpn: 2.35% Moody's: Aaa S&P: AAA Fitch: Tr Date: 1/23/18 St Date: 1/31/18	89238BAD4	739,991.49	0.00	741,477.04 772.89	1,485.55	100.200	0.48%
1,020,000.000	HONDA 2018-3 A3 CAR Mat: 8/22/22 Cpn: 2.95% Moody's: Aaa S&P: Fitch: AAA Tr Date: 8/21/18 St Date: 8/28/18	43815HAC1	1,019,860.06	0.00	1,032,956.04 835.83	13,095.98	101.270	0.67%
1,600,000.000	CITI 2014-A1 A1 CDT Mat: 1/23/23 Cpn: 2.88% Moody's: Aaa S&P: Fitch: AAA Tr Date: 4/18/19 St Date: 4/23/19	17305EFM2	1,607,250.00	11,776.00	1,619,817.60 20,480.00	12,567.60	101.239	1.07%
1,300,000.000	NISSAN 2018-C A3 CAR Mat: 6/15/23 Cpn: 3.22% Moody's: Aaa S&P: AAA Fitch: Tr Date: 12/4/18 St Date: 12/12/18	65478NAD7	1,299,750.92	0.00	1,330,173.00 1,860.44	30,422.08	102.321	0.87%
755,000.000	JOHN DEERE 2019-A A3 EQP Mat: 7/17/23 Cpn: 2.91% Moody's: Aaa S&P: Fitch: AAA Tr Date: 3/5/19 St Date: 3/13/19	47789JAD8	754,907.21	0.00	769,066.41 976.47	14,159.20	101.863	0.50%
970,000.000	TOYOTA 2019-A A3 CAR Mat: 7/17/23 Cpn: 2.91% Moody's: Aaa S&P: AAA Fitch: Tr Date: 2/5/19 St Date: 2/13/19	89239AAD5	969,823.27	0.00	984,905.02 1,254.53	15,081.75	101.537	0.64%
930,000.000	NISSAN 2019-A A3 CAR Mat: 10/16/23 Cpn: 2.90% Moody's: Aaa S&P: Fitch: AAA Tr Date: 2/5/19 St Date: 2/13/19	65479KAD2	929,859.11	0.00	946,914.84 1,198.67	17,055.73	101.819	0.62%
550,000.000	FIFTH THIRD 2019-1 A3 CAR Mat: 12/15/23 Cpn: 2.64% Moody's: Aaa S&P: AAA Fitch: Tr Date: 4/30/19 St Date: 5/8/19	31680YAD9	549,879.11	0.00	556,804.05 645.33	6,924.94	101.237	0.36%
1,440,000.000	AMEX 2018-6 A CDT Mat: 2/15/24 Cpn: 3.06% Moody's: Aaa S&P: Fitch: AAA Tr Date: 4/18/19 St Date: 4/23/19	02582JJF8	1,453,443.75	979.20	1,470,558.24 1,958.40	17,114.49	102.122	0.96%



CALOPTIMA - RESERVE ACCOUNT TIER ONE

Portfolio 2481

Portfolio Positions

as of June 30, 2019

Currency: USD

Units	Security	Identifier	Original Principal Cost Purchased	Accrued	Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio	
400,000.000	CAPITAL ONE 2018-A1 A1 CDT Mat: 2/15/24 Cpn: 3.01% Moody's: NR S&P: AAA Fitch: AAA Tr Date: 4/23/19 St Date: 4/25/19	14041NFR7	403,281.25	334.44	407,525.60	535.11	4,244.35	101.881	0.27%
1,710,000.000	HARLEY 2019-A A3 CYCLE Mat: 2/15/24 Cpn: 2.34% Moody's: Aaa S&P: Fitch: AAA Tr Date: 6/19/19 St Date: 6/26/19	41284WAC4	1,709,867.65	0.00	1,712,000.70	555.75	2,133.05	100.117	1.12%
Total for Asset-Backed			20,711,094.73	13,089.64	20,853,518.63	44,213.86	142,423.90		13.61%
Grand Total			151,807,681.25	166,104.44	152,806,807.44	686,078.25	999,126.19		100.00%





Reporting Account	Security ID	Security Description 1	Security Description 2	Sector	Shares/Par	Base Cost	Accrued Interest	Base Market Value	Base Unrealized Gain	Base Unrealized Loss	Percent of Asset	Moody's Rating	S&P Rating	Fitch Rating
CALOPTIMA EC	3130AG3X9	FEDERAL HOME LNBK CONS BD	2.520% 10/09/2020 DD 04/09/19	Agency	6,500,000.00	6,503,333.39	37,310.00	6,504,713.87	1,380.48	0.00	2.26	Agency	AA-	Agency
CALOPTIMA EC	3130AGH2J	FEDERAL HOME LNBK CONS BD	2.500% 05/29/2020 DD 05/29/19	Agency	7,500,000.00	7,500,000.00	17,256.25	7,500,000.00	0.00	0.00	2.61	Agency	AA-	Agency
CALOPTIMA EC	3134GTBJ1	FEDERAL HOME LNBK CONS BD	2.600% 04/01/2021 DD 04/01/19	Agency	10,000,000.00	10,000,000.00	65,000.00	10,000,000.00	0.00	-0.01	3.48	Agency	AA-	Agency
CALOPTIMA EC	43818WBH8	INTER-AMERICAN DEVELOPMENT BAN	VAR RT 07/15/2020 DD 07/15/18	Agency	3,000,000.00	3,010,027.64	18,074.15	3,016,450.00	0.00	-2,897.64	1.05	NA	NR	AAA
CALOPTIMA EC	45959GK3	INTERNATIONAL BANK FOR RECONST	VAR RT 08/21/2020 DD 08/21/18	Agency	2,500,000.00	2,500,276.17	25,909.69	2,500,825.00	548.83	-7,870.39	0.87	AAA	AAA	AAA
CALOPTIMA EC	45959GK4	INTERNATIONAL BANK FOR RECONST	VAR RT 08/21/2020 DD 08/21/18	Agency	2,300,000.00	2,300,894.52	6,639.94	2,300,759.00	0.00	-135.52	0.80	AAA	AAA	AAA
CALOPTIMA EC	45959GK5	INTERNATIONAL BANK FOR RECONST	VAR RT 08/21/2020 DD 08/21/18	Agency	2,500,000.00	2,500,972.19	7,434.72	2,500,825.00	0.00	-147.19	0.87	AAA	AAA	AAA
CALOPTIMA EC	45959GK6	INTERNATIONAL BANK FOR RECONST	VAR RT 08/21/2020 DD 08/21/18	Agency	2,700,000.00	2,701,049.95	8,029.50	2,700,891.00	0.00	-158.65	0.94	AAA	AAA	AAA
CALOPTIMA EC	45959GK7	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	2,925,210.04	2,925,210.04	3,275.90	2,925,877.20	667.16	0.00	1.02	NR	NR	AAA
CALOPTIMA EC	45959GK8	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	750,000.00	750,000.00	839.97	750,224.93	224.93	0.00	0.25	NR	NR	AAA
CALOPTIMA EC	45959GK9	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	325,000.00	324,953.60	363.99	325,097.47	143.97	0.00	0.09	AAA	AAA	AAA
CALOPTIMA EC	45959GK0	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	1,811,167.41	1,811,167.41	138.01	1,811,167.41	0.00	0.00	0.11	NR	NR	AAA
CALOPTIMA EC	45959GK1	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	1,521,693.92	1,521,693.92	1,015.82	1,523,996.86	2,303.04	0.00	0.17	AAA	AAA	AAA
CALOPTIMA EC	45959GK2	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	485,348.50	484,243.43	313.31	484,644.07	400.64	0.00	0.14	AAA	AAA	AAA
CALOPTIMA EC	45959GK3	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	400,193.27	400,193.27	253.69	400,157.62	324.35	0.00	0.14	AAA	AAA	AAA
CALOPTIMA EC	45959GK4	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	1,301,352.53	1,301,352.53	1,559.95	1,301,482.92	140.29	0.00	0.45	NR	NR	AAA
CALOPTIMA EC	45959GK5	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	1,542,123.83	1,542,123.83	1,814.89	1,542,146.02	22.19	0.00	0.54	NR	NR	AAA
CALOPTIMA EC	45959GK6	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	4,000,000.00	4,000,000.00	3,323.60	4,000,348.80	348.80	0.00	1.39	NR	NR	AAA
CALOPTIMA EC	45959GK7	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	1,618,323.27	1,618,323.27	1,852.53	1,618,629.62	306.35	0.00	0.78	AAA	AAA	AAA
CALOPTIMA EC	45959GK8	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	5,125,000.00	5,125,000.00	6,195.38	5,126,985.43	1,985.43	0.00	0.42	AAA	AAA	AAA
CALOPTIMA EC	45959GK9	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	1,192,619.39	1,192,619.39	997.67	1,193,394.81	775.12	0.00	0.59	AAA	AAA	AAA
CALOPTIMA EC	45959GK0	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	1,046,412.40	1,046,412.40	1,952.47	1,046,439.18	26.78	0.00	0.38	AAA	AAA	AAA
CALOPTIMA EC	45959GK1	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	240,756.35	240,756.35	291.48	240,777.10	20.75	-8.98	0.08	NR	NR	AAA
CALOPTIMA EC	45959GK2	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	83,742.03	83,742.03	101.39	83,746.56	4.53	-3.17	0.03	NR	NR	AAA
CALOPTIMA EC	45959GK3	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	2,022,902.81	2,022,902.81	2,015.19	2,023,429.78	526.97	0.00	0.70	NR	NR	AAA
CALOPTIMA EC	45959GK4	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	4,000,000.00	4,000,000.00	32,583.33	4,000,088.41	88.41	0.00	1.39	P-1	F1+	F1+
CALOPTIMA EC	45959GK5	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	3,000,000.00	3,000,000.00	24,437.50	3,000,071.28	71.28	0.00	1.04	P-1	F1	F1
CALOPTIMA EC	45959GK6	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	10,000,000.00	10,000,000.00	63,336.11	10,000,465.94	465.94	0.00	3.48	P-1	A-1	A-1
CALOPTIMA EC	45959GK7	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	10,000,000.00	10,000,000.00	93,252.78	10,000,062.10	0.00	0.00	3.48	P-1	A-1	A-1
CALOPTIMA EC	45959GK8	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	47,936.30	47,604.08	110.34	47,520.79	-275.21	0.00	0.02	Agency	AA-	Agency
CALOPTIMA EC	45959GK9	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	5,950.54	5,950.54	13.79	5,940.10	-14.44	0.00	0.00	Agency	AA-	Agency
CALOPTIMA EC	45959GK0	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	10,114.21	10,114.21	23.45	10,098.17	-16.04	-18.57	0.00	Agency	AA-	Agency
CALOPTIMA EC	45959GK1	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	54,914.24	54,914.24	127.30	54,827.11	-87.13	-51.11	0.02	Agency	AA-	Agency
CALOPTIMA EC	45959GK2	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	68,825.59	68,825.59	159.69	68,774.98	-50.61	0.00	0.35	Agency	AAA	Agency
CALOPTIMA EC	45959GK3	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	977,435.56	998,464.48	3,841.77	1,000,977.98	2,542.42	0.00	0.09	Agency	AAA	Agency
CALOPTIMA EC	45959GK4	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	246,857.63	245,746.44	3,055.89	1,965,213.99	1,716.55	0.00	0.68	Agency	AAA	Agency
CALOPTIMA EC	45959GK5	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	1,951,444.22	1,951,444.22	2,404.81	1,987,439.47	367.25	-3,113.50	0.69	Agency	AAA	Agency
CALOPTIMA EC	45959GK6	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	1,981,678.10	1,981,678.10	873.63	1,988,654.60	6,976.50	-952.88	0.72	Agency	AAA	Agency
CALOPTIMA EC	45959GK7	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	2,079,751.99	2,079,067.74	929.13	2,077,114.86	-647.13	0.00	0.94	Agency	AAA	Agency
CALOPTIMA EC	45959GK8	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	2,711,963.85	2,710,049.14	3,796.75	2,705,636.35	-4,327.50	-1.54	0.04	Agency	AAA	Agency
CALOPTIMA EC	45959GK9	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	650.75	650.75	2.32	649.21	-0.54	0.00	1.67	P-1	F1+	F1+
CALOPTIMA EC	45959GK0	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	115,731.34	115,731.34	428.21	115,328.77	-402.57	0.00	3.47	P-1	A-1	A-1
CALOPTIMA EC	45959GK1	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	4,800,000.00	4,797,797.38	0.00	4,797,797.38	0.00	0.00	1.22	P-1	NR	F2
CALOPTIMA EC	45959GK2	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	3,500,000.00	3,496,529.19	0.00	3,496,529.19	0.00	0.00	1.81	P-1	NR	F2
CALOPTIMA EC	45959GK3	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	5,200,000.00	5,193,369.99	0.00	5,193,369.99	0.00	0.00	2.09	P-1	A-2	F2
CALOPTIMA EC	45959GK4	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	6,000,000.00	5,996,279.97	0.00	5,996,279.97	0.00	0.00	3.59	P-1	A-2	F2
CALOPTIMA EC	45959GK5	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	10,325,000.00	10,318,495.25	0.00	10,318,495.25	0.00	0.00	2.13	P-1	F1	F1
CALOPTIMA EC	45959GK6	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	6,122,105.99	6,122,105.99	0.00	6,122,105.99	0.00	0.00	0.70	AAA	BBB+	BBB+
CALOPTIMA EC	45959GK7	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	2,000,000.00	2,007,542.51	23.33	2,007,908.00	365.49	0.00	0.70	AAA	A	A
CALOPTIMA EC	45959GK8	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	3,715,000.00	3,716,746.05	41,969.18	3,715,993.21	993.21	-752.84	1.29	A2	A	A
CALOPTIMA EC	45959GK9	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	1,425,000.00	1,471,312.50	222.66	1,471,141.53	141.53	-170.97	0.51	A2	A	A
CALOPTIMA EC	45959GK0	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	2,300,000.00	2,304,249.28	18,847.17	2,306,098.77	1,849.59	0.00	0.80	A2	A	A
CALOPTIMA EC	45959GK1	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	5,000,000.00	4,990,396.00	27,750.00	4,993,115.10	-688.90	0.00	0.95	Baa1	BBB+	BBB+
CALOPTIMA EC	45959GK2	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	2,735,000.00	2,734,781.20	26,958.74	2,733,665.49	-1,115.71	0.00	0.74	Baa1	BBB+	BBB+
CALOPTIMA EC	45959GK3	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	1,200,000.00	1,200,356.58	2,031.30	1,200,275.89	-82.69	0.00	0.42	AAA	A	A
CALOPTIMA EC	45959GK4	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	3,000,000.00	3,000,000.00	10,371.44	3,007,234.74	-2,765.26	0.00	1.05	AAA	A	A
CALOPTIMA EC	45959GK5	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	4,000,000.00	3,978,201.72	4,433.33	3,982,440.00	-1,559.72	0.00	0.70	AAA	A	A
CALOPTIMA EC	45959GK6	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	2,000,000.00	2,000,000.00	11,254.14	2,001,235.50	1,235.50	0.00	0.70	AAA	A	A
CALOPTIMA EC	45959GK7	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	4,000,000.00	3,997,629.12	7,350.00	3,999,784.44	-2,215.56	0.00	0.70	Baa1	BBB+	BBB+
CALOPTIMA EC	45959GK8	AMERICAN EXPRESS CREDIT AC 8 A	VAR RT 05/16/2022 DD 03/09/17	Asset Backed	2,000,000.00	1,999,620.27	3,675.00	1,999,862.22	241.95	0.00	0.35	AAA	A	A
CALOPTIMA EC														



Reporting Account	Security ID	Security Description 1	Security Description 2	Sector	Shares/Par	Base Cost	Accrued Interest	Base Market Value	Base Unrealized Gain	Base Unrealized Loss	Percent of Asset	Moody's Rating	S&P Rating	Fitch Rating
CALOPTIMA EC	635478B1	PNC FINANCIAL SERVICES GROUP I	5.125% 02/08/2020 DD 02/08/10	Corporates	4,000,000.00	4,057,785.61	81,450.56	4,066,686.12	8,920.51	0.00	1.42 A3	A-	A-	A+
CALOPTIMA EC	6355JRF05	PNC BANK NA	WAR RT 05/19/2020 DD 05/19/17	Corporates	2,000,000.00	2,002,695.03	6,688.18	2,006,533.12	3,838.09	0.00	0.70 A2	A	A	A+
CALOPTIMA EC	6357TRP34	PACCAR FINANCIAL CORP	WAR RT 05/10/2021 DD 05/10/18	Corporates	3,500,000.00	3,504,036.84	14,181.49	3,504,606.32	569.48	0.00	1.22 A1	A+	A+	NA
CALOPTIMA EC	8678FEB08	SUNTRUST BANK/ATLANTA GA	WAR RT 05/17/2022 DD 05/17/19	Corporates	3,500,000.00	3,500,000.00	43.75	3,505,445.02	5,445.02	0.00	0.70 A2	A-	A-	A-
CALOPTIMA EC	94974ESB8	WELLS FARGO & CO	WAR RT 07/28/2021 DD 07/25/16	Corporates	2,000,000.00	2,025,233.74	13,241.73	2,024,230.52	0.00	-1,003.22	0.70 A2	A-	A-	A+
CALOPTIMA EC	94974ESM6	WELLS FARGO & CO	2.600% 07/22/2020 DD 07/22/15	Corporates	2,434,000.00	2,442,519.00	28,126.22	2,442,005.35	0.00	-513.65	0.85 A2	A-	A-	A+
CALOPTIMA EC	9498BUS52	WELLS FARGO BANK NA	WAR RT 03/25/2020 DD 09/25/18	Corporates	1,000,000.00	1,000,000.00	480.56	1,001,036.49	1,036.49	0.00	0.35 Aa2	A+	AA-	AA-
CALOPTIMA EC	70914PPD8	PENNSYLVANIA ST	4.050% 07/15/2019 DD 12/23/10	Municipal Securities	3,000,000.00	3,001,441.61	56,025.00	3,002,190.00	748.39	0.00	1.04 Aa3	NR	NR	AA-
CALOPTIMA EC	9128ZT16	U S TREASURY NOTE	1.250% 08/31/2019 DD 08/31/17	US Government	6,400,000.00	6,387,096.26	26,739.13	6,389,013.50	1,917.24	0.00	2.22 Aa3	AA-	AA-	Govt
CALOPTIMA EC	9128ZT16	U S TREASURY NOTE	1.250% 08/31/2019 DD 08/31/17	US Government	10,000,000.00	9,979,701.75	41,779.89	9,982,833.60	3,131.85	0.00	3.47 Govt	AA-	AA-	Govt
CALOPTIMA EC	9128ZU15	U S TREASURY NOTE	1.125% 12/31/2019 DD 12/31/12	US Government	11,750,000.00	11,672,865.65	66,452.96	11,683,085.94	20,220.29	0.00	4.07 Govt	AA-	AA-	Govt
CALOPTIMA EC	9128ZU15	U S TREASURY NOTE	WAR RT 07/31/2020 DD 07/31/18	US Government	2,500,000.00	2,498,047.34	10,096.40	2,497,353.48	0.00	-693.86	0.87 Govt	AA-	AA-	Govt
CALOPTIMA EC	6288UW46	NCUA GUARANTEED NOTES TR R2A	WAR RT 01/05/2020 DD 11/17/10	RMBS	4,242,905.43	4,248,184.80	8,170.42	4,246,009.96	0.00	-2,174.84	1.48 Aaa	AA-	AA-	Agency
CALOPTIMA EC	6288UW46	NCUA GUARANTEED NOTES TR R1A	WAR RT 01/07/2020 DD 10/27/10	RMBS	1,970,192.91	1,970,715.86	4,246.52	1,973,202.58	2,486.72	0.00	0.69 Aaa	AA-	AA-	AAA
CALOPTIMA EC	6288YAA0	NCUA GUARANTEED NOTES TR R1A	WAR RT 01/08/2020 DD 01/01/11	RMBS	1,766,818.05	1,766,353.52	3,881.76	1,770,696.47	2,592.95	0.00	0.62 Aaa	AA-	AA-	Agency
CALOPTIMA EC	GL-110000	CASH			0.00	16,937,308.54	0.00	16,937,308.54	0.00	0.00	0.00			
CALOPTIMA EC	GL-220010	PAYABLE FOR INVESTMENTS PURCHASED			0.00	-16,275,993.32	0.00	-16,275,993.32	0.00	0.00	0.00			
					287,168,276.72	287,926,573.33	1,247,934.50	288,096,834.97	134,095.44	-23,773.80	100.00			



Reporting Account	Security ID	Security Description 1	Security Description 2	Sector	Shares/Par	Base Cost	Accrued Interest	Base Market Value	Base Unrealized Gain	Base Unrealized Loss	Percent of Asset	Moody's Rating	S&P Rating	Fitch Rating
CALOPTIMA S13	3167QBK4	FIFTH THIRD BANK/CINCINNATI OH	2.200% 10/30/2020 DD 10/30/17	Corporates	850,000.00	838,823.70	3,168.61	849,095.16	10,272.46	0.00	0.56 A3	A-	A-	
CALOPTIMA S13	3170QBK4	FIFTH THIRD BANK/CINCINNATI OH	2.200% 10/30/2020 DD 10/30/17	Corporates	700,000.00	689,920.40	2,699.45	699,255.66	9,335.26	0.00	0.46 A3	A-	A-	
CALOPTIMA S13	3814GGQ1	GOLDMAN SACHS GROUP INC/THE	5.250% 07/27/2021 DD 07/27/11	Corporates	553,588.83	553,588.83	11,790.62	554,900.57	1,311.74	0.00	0.37 A3	BBB+	BBB+	
CALOPTIMA S13	3814GGQ1	GOLDMAN SACHS GROUP INC/THE	5.250% 07/27/2021 DD 07/27/11	Corporates	525,000.00	544,789.80	11,790.63	554,900.57	10,130.77	-111.28	0.50 A3	BBB+	BBB+	
CALOPTIMA S13	3814GGQ1	GOLDMAN SACHS GROUP INC/THE	5.250% 07/27/2021 DD 07/27/11	Corporates	750,000.00	756,233.95	3,611.17	756,122.67	0.00	0.00	0.50 A3	A+	A+	
CALOPTIMA S13	3814GGQ1	GOLDMAN SACHS GROUP INC/THE	3.200% 08/05/2020 DD 08/07/18	Corporates	900,000.00	499,945.43	1,155.56	504,260.00	4,314.57	0.00	0.34 A1	A+	A+	
CALOPTIMA S13	46829H82	JPMORGAN CHASE & CO	4.400% 07/22/2020 DD 07/22/10	Corporates	916,536.81	917,587.17	1,587.57	925,085.46	8,549.65	0.00	0.62 A2	AA-	AA-	
CALOPTIMA S13	48125RP9	JPMORGAN CHASE BANK NA	VAR RT 04/26/2021 DD 04/26/18	Corporates	690,000.00	689,789.46	3,701.87	690,947.53	1,078.07	0.00	0.46 A2	AA	AA	
CALOPTIMA S13	48125RP9	JPMORGAN CHASE BANK NA	VAR RT 04/26/2021 DD 04/26/18	Corporates	500,288.32	500,288.32	2,862.52	500,814.15	525.83	0.00	0.33 A2	AA	AA	
CALOPTIMA S13	48125RP9	JPMORGAN CHASE BANK NA	VAR RT 04/26/2021 DD 04/26/18	Corporates	975,621.74	975,621.74	5,230.90	976,197.61	575.87	0.00	0.65 A2	AA	AA	
CALOPTIMA S13	48125RP9	JPMORGAN CHASE BANK NA	VAR RT 04/26/2021 DD 04/26/18	Corporates	1,670,000.00	1,670,000.00	9,165.47	1,676,076.16	6,076.16	0.00	1.11 A3	A-	A-	
CALOPTIMA S13	48125RP9	JPMORGAN CHASE BANK NA	VAR RT 04/26/2021 DD 04/26/18	Corporates	1,280,000.00	1,280,000.00	9,767.11	1,277,834.27	14,974.39	0.00	0.85 A3	A-	A-	
CALOPTIMA S13	48125RP9	JPMORGAN CHASE BANK NA	VAR RT 04/26/2021 DD 04/26/18	Corporates	1,297,000.00	1,297,000.00	1,320,276.33	1,320,276.33	2,636.06	0.00	0.88 A3	BBB+	BBB+	
CALOPTIMA S13	48125RP9	JPMORGAN CHASE BANK NA	VAR RT 04/26/2021 DD 04/26/18	Corporates	1,065,828.94	1,065,828.94	3,481.04	1,091,565.25	25,735.31	0.00	0.73 A3	BBB+	BBB+	
CALOPTIMA S13	61748EB8	MORGAN STANLEY	2.625% 11/17/2021 DD 11/17/16	Corporates	866.89	850,490.94	0.00	850,490.94	-1,294.97	0.00	0.55 A1	A	A	
CALOPTIMA S13	61748EB8	MORGAN STANLEY	2.625% 11/17/2021 DD 11/17/16	Corporates	1,020,000.00	1,019,115.12	7,148.50	1,020,688.39	18,573.27	0.00	0.69 Baa1	BBB+	BBB+	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	486,500.84	486,500.84	939.17	480,259.70	3,798.86	0.00	0.33 A2	A	A	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	385,000.00	382,880.04	4,448.89	386,135.85	3,313.81	0.00	0.26 A2	A	A	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	900,947.77	1,722.05	1,722.05	501,633.28	685.51	0.00	0.33 A2	A	A	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	1,515,000.00	1,514,790.21	6,653.38	1,540,329.71	25,579.50	0.00	1.02 A1	A+	A+	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	1,500,000.00	1,501,730.12	6,077.78	1,501,974.14	244.02	0.00	1.00 A1	A+	NR	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	420,000.00	427,557.47	627.08	432,470.08	4,912.61	0.00	0.29 A3	A	A-	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	835,000.00	849,788.56	4,801.25	860,502.04	10,713.48	0.00	0.87 A3	A	A-	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	590,000.00	590,000.00	3,755.10	598,875.33	8,875.33	0.00	0.25 A3	A	A-	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	380,000.00	380,000.00	4,75	380,591.17	591.17	0.00	0.25 Baa1	BBB+	BBB+	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	760,000.00	756,778.59	7,224.22	766,638.41	10,059.62	0.00	0.51 Baa1	BBB+	BBB+	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	250,000.00	241,419.89	2,376.39	252,249.48	4,829.59	0.00	0.17 Baa1	BBB+	BBB+	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	1,180,000.00	1,180,000.00	5,183.22	1,180,802.50	802.50	0.00	0.17 Baa1	BBB+	BBB+	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	1,650,000.00	1,650,000.00	2,522.16	1,655,426.80	5,426.80	0.00	0.17 Baa1	BBB+	BBB+	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	2,341,417.50	2,341,397.22	3,043.21	2,341,874.35	477.15	-3,761.35	0.00	1.20 Baa1	BBB+	BBB+
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	733,638.58	738,203.41	423.07	729,045.98	0.00	0.00	1.04 A3	AA-	AA-	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	1,552,303.57	1,521,160.09	895.15	1,524,548.87	21,384.78	-9,157.43	0.00	0.48 Govt	AA-	AA-
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	1,549,702.50	1,535,336.95	893.65	1,540,928.94	5,991.99	0.00	1.02 Govt	AA-	AA-	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	1,573,375.25	1,537,190.32	909.60	1,568,445.52	31,255.20	0.00	1.04 Govt	AA-	AA-	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	1,250,000.00	1,251,127.19	18,229.17	1,251,150.00	22.81	0.00	0.83 Aaa	AAA	AAA	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	1,245,000.00	1,245,000.00	4,038.70	1,241,377.05	-3,622.95	0.00	0.83 Aaa	AAA	AAA	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	820,000.00	820,000.00	6,678.00	829,536.60	9,536.60	0.00	0.55 A2	NR	NR	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	1,000,000.00	1,000,000.00	9,583.33	1,002,280.00	2,280.00	0.00	0.67 A1	AA	AA	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	525,000.00	529,373.95	8,137.50	530,250.00	876.05	0.00	0.35 Aa3	AA-	AA-	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	1,119,450.33	1,119,450.33	3,196.03	1,115,955.84	-3,494.49	0.00	0.74 Aa1	AA	AA	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	700,619.92	700,619.92	2,701.23	697,557.60	-3,062.32	0.00	0.46 A2	NR	NR	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	630,000.00	630,000.00	5,502.00	630,000.00	0.00	0.00	0.42 NR	NR	NR	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	985,000.00	985,000.00	3,192.25	978,600.10	-6,399.90	0.00	0.83 NR	NR	NR	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	1,245,000.00	1,245,000.00	3,104.20	1,252,831.05	7,831.05	0.00	0.83 NR	NR	NR	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	2,195,000.00	2,193,383.58	16,184.47	2,233,697.85	14,304.27	0.00	1.49 Aa1	AA-	AA-	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	725,000.00	720,275.59	1,930.59	723,782.00	3,506.41	0.00	0.48 NR	A-	A-	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	400,000.00	414,785.98	10,265.00	414,516.00	-269.98	0.00	0.28 A2	AA-	AA-	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	600,000.00	603,986.53	6,087.00	599,394.00	-4,592.53	0.00	0.40 NR	AA-	AA-	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	485,000.00	479,598.56	5,392.78	481,110.30	1,511.74	0.00	0.32 Aa3	AA-	AA-	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	1,000,000.00	1,000,000.00	3,623.78	1,005,700.00	5,700.00	0.00	0.67 Aa3	AA-	AA-	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	1,850,000.00	1,862,797.13	16,398.30	1,858,458.07	0.00	0.00	0.67 Aa3	AA-	AA-	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	1,085,000.00	1,086,508.96	9,617.39	1,089,958.79	3,449.83	0.00	1.24 Govt	AA-	AA-	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	2,995,000.00	2,933,198.38	26,192.97	2,968,505.27	35,306.89	0.00	1.97 Govt	AA-	AA-	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	1,500,000.00	1,488,517.39	13,295.93	1,506,855.47	16,338.08	0.00	1.00 Govt	AA-	AA-	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	3,735,000.00	3,702,445.02	33,106.86	3,752,070.10	49,625.08	0.00	2.49 Govt	AA-	AA-	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	775,000.00	775,130.54	4,383.07	771,246.09	-3,884.45	0.00	0.51 Govt	AA-	AA-	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	203,800.00	203,800.00	3,601,978.46	203,800.00	0.00	0.00	2.38 Govt	AA-	AA-	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	3,100,000.00	3,079,646.95	17,532.27	3,094,862.58	-19,415.96	0.00	2.05 Govt	AA-	AA-	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	24,540.26	24,543.71	102.25	25,120.26	576.55	0.00	0.02 Agency	AA-	AA-	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08/15/2020 DD 08/06/13	Corporates	164,973.16	170,192.11	824.87	171,644.87	6,671.71	0.00	0.11 Agency	AA-	AA-	
CALOPTIMA S13	63742UM6	NATIONAL RURAL UTILITIES COOPE	2.300% 08											

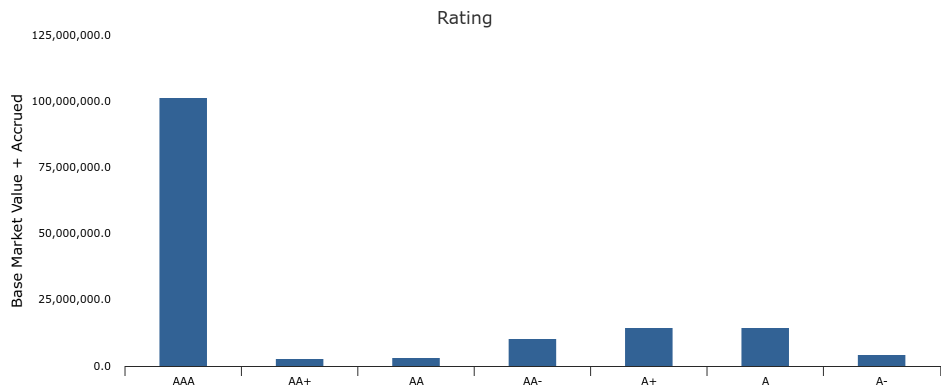


Reporting Account	Security ID	Security Description 1	Security Description 2	Sector	Shares/Par	Base Cost	Accrued Interest	Base Market Value	Base Unrealized Gain	Base Unrealized Loss	Percent of Asset	Moody's Rating	S&P Rating	Fitch Rating
CALOPTIMA S1-5	3130AGE68	FEDERAL HOME LN BK CONS BD	2.625% 11/09/2021 DD 05/09/19	Agency	2,500,000.00	2,499,411.04	9,479.17	2,500,722.80	1,311.76	0.00	2.49	Agency	AA+	Agency
CALOPTIMA S1-5	3130AGHC2	FEDERAL HOME LN BK CONS BD	2.510% 05/28/2020 DD 05/28/19	Agency	500,000.00	500,000.00	1,150.42	500,000.00	0.00	0.00	0.50	Agency	AA+	Agency
CALOPTIMA S1-5	3134GTAE3	FEDERAL HOME LN MTG CORP	2.700% 09/27/2021 DD 03/27/19	Agency	750,000.00	750,132.89	5,287.50	750,917.81	784.92	0.00	0.75	Agency	AA+	Agency
CALOPTIMA S1-5	3135G0S38	FEDERAL NATL MTG ASSN	2.000% 01/05/2022 DD 01/09/17	Agency	2,250,000.00	2,254,251.96	22,000.00	2,261,803.52	7,551.56	0.00	2.25	Agency	AA+	Agency
CALOPTIMA S1-5	3135G0S38	FEDERAL NATL MTG ASSN	2.000% 01/05/2022 DD 01/09/17	Agency	1,500,000.00	1,507,317.56	14,666.67	1,507,869.02	551.46	0.00	1.50	Agency	AA+	Agency
CALOPTIMA S1-5	3137EADB2	FEDERAL HOME LN MTG CORP	2.375% 01/13/2022 DD 01/13/12	Agency	1,500,000.00	1,520,833.00	16,625.00	1,522,160.49	1,327.49	0.00	1.52	Agency	AA+	Agency
CALOPTIMA S1-5	4581X0C29	INTER-AMERICAN DEVELOPMENT BAN	1.750% 09/14/2022 DD 09/14/17	Agency	1,000,000.00	991,301.22	5,201.39	998,522.09	7,220.87	0.00	0.99	NR	NR	AAA
CALOPTIMA S1-5	4581X0C29	INTER-AMERICAN DEVELOPMENT BAN	1.750% 09/14/2022 DD 09/14/17	Agency	1,500,000.00	1,497,755.70	7,802.08	1,497,783.14	27.44	0.00	1.49	NR	NR	AAA
CALOPTIMA S1-5	459058GK3	INTERNATIONAL BANK FOR RECONST	VAR RT 08/21/2020 DD 08/21/18	Agency	225,000.00	225,051.43	669.12	225,074.25	22.82	0.00	0.22	Aaa	AAA	AAA
CALOPTIMA S1-5	459058GK3	INTERNATIONAL BANK FOR RECONST	VAR RT 08/21/2020 DD 08/21/18	Agency	1,000,000.00	1,000,383.38	2,973.89	1,000,330.00	0.00	-53.38	1.00	Aaa	AAA	AAA
CALOPTIMA S1-5	459058GK3	INTERNATIONAL BANK FOR RECONST	VAR RT 08/21/2020 DD 08/21/18	Agency	575,000.00	575,220.79	1,709.99	575,189.75	0.00	-31.04	0.57	Aaa	AAA	AAA
CALOPTIMA S1-5	05522RCV6	BA CREDIT CARD TRUST A1 A1	1.950% 08/15/2022 DD 03/30/17	Asset Backed	1,500,000.00	1,488,449.68	1,300.00	1,496,969.40	8,519.72	0.00	1.49	Aaa	NR	AAA
CALOPTIMA S1-5	17305EFM2	CITIBANK CREDIT CARD ISS A1 A1	2.880% 01/23/2023 DD 01/24/14	Asset Backed	565,000.00	564,125.73	7,232.00	571,811.36	7,685.63	0.00	0.57	Aaa	NR	AAA
CALOPTIMA S1-5	26208RAD7	DRIVE AUTO RECEIVABLES TRU 2 A3	3.040% 03/15/2023 DD 03/20/19	Asset Backed	315,000.00	314,971.82	425.60	317,940.37	2,968.55	0.00	0.32	Aaa	NR	AAA
CALOPTIMA S1-5	26208RAE5	DRIVE AUTO RECEIVABLES TRU 2 B	3.170% 11/15/2023 DD 03/20/19	Asset Backed	450,000.00	449,966.38	634.00	456,634.13	6,667.75	0.00	0.46	Aa1	AA	NR
CALOPTIMA S1-5	26209BAE9	DRIVE AUTO RECEIVABLES TRU 4 B	3.360% 10/17/2022 DD 09/19/18	Asset Backed	200,000.00	199,981.81	298.67	200,887.10	905.29	0.00	0.20	Aaa	AA	NR
CALOPTIMA S1-5	26209BAE9	DRIVE AUTO RECEIVABLES TRU 4 B	3.360% 10/17/2022 DD 09/19/18	Asset Backed	350,000.00	350,118.52	522.66	351,552.43	1,433.91	0.00	0.35	Aaa	AA	NR
CALOPTIMA S1-5	26209BAE9	DRIVE AUTO RECEIVABLES TRU 4 B	3.360% 10/17/2022 DD 09/19/18	Asset Backed	75,000.00	75,184.36	112.00	75,332.66	148.30	0.00	0.08	Aaa	AA	NR
CALOPTIMA S1-5	31680YAB3	FIFTH THIRD AUTO TRUST 2 1 A2A	2.660% 05/16/2022 DD 05/08/19	Asset Backed	73,000.00	73,961.66	868.93	738,197.18	3,235.52	0.00	0.74	Aaa	AAA	NR
CALOPTIMA S1-5	438124AD1	HONDA AUTO RECEIVABLES 20 3 A4	1.330% 11/18/2022 DD 08/23/16	Asset Backed	1,000,000.00	991,995.79	480.28	996,001.10	4,005.31	0.00	0.99	Aaa	NR	AAA
CALOPTIMA S1-5	47787XAC1	JOHN DEERE OWNER TRUST 20 A A3	1.780% 04/15/2021 DD 03/02/17	Asset Backed	140,776.49	140,776.28	111.37	140,493.25	0.00	-283.03	0.14	Aaa	NR	AAA
CALOPTIMA S1-5	47789JAB2	JOHN DEERE OWNER TRUST 20 A A2	2.850% 12/15/2022 DD 03/13/19	Asset Backed	750,000.00	749,969.12	950.00	754,414.50	4,445.38	0.00	0.75	Aaa	NR	AAA
CALOPTIMA S1-5	58769DAD2	MERCEDES-BENZ AUTO LEASE A A3	1.790% 04/15/2020 DD 04/26/17	Asset Backed	82,974.91	82,974.40	66.01	82,938.71	0.00	-35.69	0.08	NR	AAA	AAA
CALOPTIMA S1-5	58769DAD2	MERCEDES-BENZ AUTO LEASE A A3	1.790% 04/15/2020 DD 04/26/17	Asset Backed	39,490.73	39,387.83	31.42	39,473.51	85.68	0.00	0.04	NR	AAA	AAA
CALOPTIMA S1-5	65478DAD9	NISSAN AUTO RECEIVABLES 2 A A3	2.650% 05/16/2022 DD 02/28/18	Asset Backed	255,000.00	252,815.03	300.33	256,331.92	3,516.89	0.00	0.26	Aaa	AAA	NR
CALOPTIMA S1-5	65479PAB5	NISSAN AUTO LEASE TRUST 2 A A2	2.710% 07/15/2021 DD 04/15/19	Asset Backed	1,000,000.00	999,973.97	1,204.44	1,003,918.00	3,944.03	0.00	1.00	Aaa	AAA	NR
CALOPTIMA S1-5	80286GAB7	SANTANDER DRIVE AUTO RECE 2 A2	2.630% 07/15/2022 DD 05/22/19	Asset Backed	800,000.00	799,942.56	935.11	800,855.68	913.12	0.00	0.80	Aaa	NR	AAA
CALOPTIMA S1-5	3136AP323	FNMA GTD REMIC P/T 15-M12 FA	VAR RT 04/25/2020 DD 08/01/15	CMSB	963.83	962.65	2.23	962.30	0.00	-0.35	0.00	Agency	AA+	Agency
CALOPTIMA S1-5	3136AP323	FNMA GTD REMIC P/T 15-M12 FA	VAR RT 04/25/2020 DD 08/01/15	CMSB	52,058.48	52,001.73	120.69	51,975.88	0.00	-25.85	0.05	Agency	AA+	Agency
CALOPTIMA S1-5	3137AXHP1	FHLM MULTICLASS MTG K024 A2	2.573% 09/25/2022 DD 01/01/13	CMSB	460,000.00	464,456.98	986.32	466,789.97	2,332.99	0.00	0.47	Aaa	AA+	Agency
CALOPTIMA S1-5	3137AXHP1	FHLM MULTICLASS MTG K024 A2	2.573% 09/25/2022 DD 01/01/13	CMSB	640,000.00	646,489.27	1,372.26	649,446.91	2,957.64	0.00	0.65	Aaa	AA+	Agency
CALOPTIMA S1-5	3137B1UG5	FHLM MULTICLASS MTG K027 A2	2.637% 01/25/2023 DD 05/01/13	CMSB	560,000.00	560,389.54	1,230.60	570,270.85	9,881.31	0.00	0.57	Agency	AA+	AAA
CALOPTIMA S1-5	3137B1UG5	FHLM MULTICLASS MTG K027 A2	2.637% 01/25/2023 DD 05/01/13	CMSB	700,000.00	700,127.92	1,538.25	712,838.56	1,710.64	0.00	0.71	Agency	AA+	AAA
CALOPTIMA S1-5	31381Q6B7	FNMA POOL #0468066	4.295% 06/01/2021 DD 06/01/11	CMSB	1,137,469.36	1,184,810.21	4,071.19	1,181,807.01	0.00	-3,003.20	1.18	Agency	AA+	Agency
CALOPTIMA S1-5	31381RST7	FNMA POOL #0468958	3.770% 09/01/2021 DD 09/01/11	CMSB	1,190,000.00	1,208,160.26	3,738.58	1,231,140.33	22,980.07	0.00	1.23	Agency	AA+	Agency
CALOPTIMA S1-5	3138EJRP5	FNMA POOL #0AL2293	4.521% 06/01/2021 DD 08/01/12	CMSB	417,912.34	435,953.37	1,574.49	431,801.75	0.00	-4,151.62	0.43	Agency	AA+	Agency
CALOPTIMA S1-5	3138EJRP5	FNMA POOL #0AL2293	4.521% 06/01/2021 DD 08/01/12	CMSB	28,149.54	29,171.23	106.05	29,085.09	0.00	-86.14	0.03	Agency	AA+	Agency
CALOPTIMA S1-5	3138EJRP5	FNMA POOL #0AL2293	4.521% 06/01/2021 DD 08/01/12	CMSB	106,102.09	108,422.04	399.74	109,628.42	1,206.38	0.00	0.11	Agency	AA+	Agency
CALOPTIMA S1-5	3138EJRP5	FNMA POOL #0AL2293	4.521% 06/01/2021 DD 08/01/12	CMSB	43,306.98	44,253.60	163.16	44,746.30	492.70	0.00	0.04	Agency	AA+	Agency
CALOPTIMA S1-5	023135AM8	AMAZON.COM INC	3.300% 12/05/2021 DD 12/05/14	Corporates	740,000.00	757,190.60	1,763.67	762,775.43	5,584.83	0.00	0.76	A3	AA-	A+
CALOPTIMA S1-5	025816CE7	AMERICAN EXPRESS CO	VAR RT 05/20/2022 DD 05/20/19	Corporates	470,000.00	470,000.00	5.48	471,858.38	1,858.38	0.00	0.47	A3	BBB+	A
CALOPTIMA S1-5	0258MOE5E	AMERICAN EXPRESS CREDIT CORP	2.200% 03/03/2020 DD 03/03/17	Corporates	300,000.00	298,313.94	2,163.33	299,685.75	1,371.81	0.00	0.30	A2	A-	A
CALOPTIMA S1-5	0258MOE5E	AMERICAN EXPRESS CREDIT CORP	2.200% 03/03/2020 DD 03/03/17	Corporates	260,000.00	258,555.12	1,874.89	259,727.64	1,172.52	0.00	0.26	A2	A-	A
CALOPTIMA S1-5	0258MOE5E	AMERICAN EXPRESS CREDIT CORP	2.200% 03/03/2020 DD 03/03/17	Corporates	260,000.00	258,545.60	1,874.89	259,727.65	1,182.05	0.00	0.26	A2	A-	A
CALOPTIMA S1-5	03076CAE6	AMERIPRISE FINANCIAL INC	5.300% 03/15/2020 DD 03/11/10	Corporates	450,000.00	458,595.50	7,022.50	459,037.19	441.69	0.00	0.46	A3	A	NR
CALOPTIMA S1-5	03076CAE6	AMERIPRISE FINANCIAL INC	5.300% 03/15/2020 DD 03/11/10	Corporates	155,000.00	157,824.92	2,418.86	158,112.81	287.89	0.00	0.16	A3	A	NR
CALOPTIMA S1-5	05531FAU7	BB&T CORP	2.625% 06/29/2020 DD 06/29/15	Corporates	850,000.00	852,819.25	11,280.21	851,751.00	0.00	-1,068.25	0.85	A2	A-	NR
CALOPTIMA S1-5	06051GEU9	BANK OF AMERICA CORP	3.300% 01/11/2023 DD 01/11/13	Corporates	370,000.00	368,173.43	5,765.83	381,387.35	13,213.92	0.00	0.38	A2	A-	A+
CALOPTIMA S1-5	06051GGS2	BANK OF AMERICA CORP	VAR RT 10/01/2021 DD 09/18/17	Corporates	645,000.00	645,000.00	3,753.90	649,219.55	0.00	-780.45	0.64	A2	A-	A+
CALOPTIMA S1-5	06051GGS2	BANK OF AMERICA CORP	VAR RT 10/01/2021 DD 09/18/17	Corporates	650,000.00	646,784.35	3,783.00	649,213.50	2,429.15	0.00	0.65	A2	A-	A+
CALOPTIMA S1-5	06406RAE7	BANK OF NEW YORK MELLON CORP/T	2.950% 01/29/2023 DD 01/29/18	Corporates	882,000.00	878,799.40	10,985.80	900,465.43	21,666.03	0.00	0.90	A1	AA-	AA-
CALOPTIMA S1-5	14040HBV0	CAPITAL ONE FINANCIAL CORP	3.450% 04/30/2021 DD 04/30/18	Corporates	600,000.00	599,676.96	3,507.50	610,894.62	11,217.66	0.00	0.61	Baa1	BBB	A-
CALOPTIMA S1-5	172967LC3	CITIGROUP INC	2.900% 12/08/2021 DD 12/08/16	Corporates	900,000.00	906,548.82	1,667.50	909,333.73	2,784.91	0.00	0.91	A3	BBB+	A
CALOPTIMA S1-5	172967LC3	CITIGROUP INC	2.900% 12/08/2021 DD 12/08/16	Corporates	710,000.00	697,130.24	1,315.47	717,363.27	20,233.03	0.00	0.71	A3	BBB+	A
CALOPTIMA S1-5	17401QAK7	CITIZENS BANK N/PROVIDENCE RI	VAR RT 05/26/2020 DD 05/26/17	Corporates	750,000.00	751,971.18	2,323.21	751,902.73	0.00	-68.45	0.75	Baa1	A-	BBB+
CALOPTIMA S1-5	17401QAT8	CITIZENS BANK N/PROVIDENCE RI	VAR RT 02/14/2022 DD 02/14/19	Corporates	350,000.00	350,000.00	1,515.68	350,340.34	340.34	0.00	0.35	Baa1	A-	BBB+
CALOPTIMA S1-5	20030NCV1	COMCAST CORP	VAR RT 10/01/2020 DD 10/05/18	Corporates	750,000.00	751,751.92	5,539.15	751,405.79	0.00	-346.13	0.75	A3	A-	BBB+
CALOPTIMA S1-5	202795HV5	COMMONWEALTH EDISON CO	4.000% 08/01/2020 DD 08/02/10	Corporates	180,000.00	182,852.86	3,000.00	182,557.77	0.00	-295.09	0.18	A1	A	A
CALOPTIMA S1-5	202795HV5	COMMONWEALTH EDISON CO	4.000% 08/01/2020 DD 08/02/10	Corporates	300,000.00	306,858.68	5,000.00	304,262.94	0.00	-2,595.74	0.30	A1	A	A
CALOPTIMA S1-5														



Reporting Account	Security ID	Security Description 1	Security Description 2	Sector	Shares/Par	Base Cost	Accrued Interest	Base Market Value	Base Unrealized Gain	Base Unrealized Loss	Percent of Asset	Moody's Rating	S&P Rating	Fitch Rating
CALOPTIMA S1-5	784710AB1	SSM HEALTH CARE CORP	3.688% 06/01/2023 DD 05/08/18	Corporates	100,000.00	100,448.65	307.33	104,256.61	3,807.96	0.00	0.10 A1	A+	AA-	
CALOPTIMA S1-5	784710AB1	SSM HEALTH CARE CORP	3.688% 06/01/2023 DD 05/08/18	Corporates	500,000.00	497,260.82	1,536.67	521,283.05	24,022.23	0.00	0.52 A1	A+	AA-	
CALOPTIMA S1-5	86787EBA4	SUNTRUST BANK/ATLANTA GA	VAR RT 10/26/2021 DD 10/26/18	Corporates	390,000.00	390,000.00	2,482.19	395,866.75	5,866.75	0.00	0.39 Baa1	A-	A-	
CALOPTIMA S1-5	867914BK8	SUNTRUST BANKS INC	2.900% 03/03/2021 DD 03/03/16	Corporates	500,000.00	497,910.88	4,752.78	504,498.96	6,588.08	0.00	0.50 Baa1	BBB+	A-	
CALOPTIMA S1-5	90331HPB3	US BANK NA/CINCINNATI OH	VAR RT 02/04/2021 DD 02/04/19	Corporates	780,000.00	780,000.00	4,426.20	781,834.47	1,834.47	0.00	0.78 A1	AA-	AA-	
CALOPTIMA S1-5	92343VDX9	VERIZON COMMUNICATIONS INC	VAR RT 03/16/2022 DD 03/16/17	Corporates	988,000.00	1,004,706.97	1,403.89	1,002,918.80	0.00	-1,788.17	1.00 Baa1	BBB+	A-	
CALOPTIMA S1-5	949746SP7	WELLS FARGO & CO	VAR RT 02/11/2022 DD 02/13/17	Corporates	450,000.00	451,014.27	2,213.14	452,640.15	1,625.88	0.00	0.45 A2	A+	A+	
CALOPTIMA S1-5	949746SP7	WELLS FARGO & CO	VAR RT 02/11/2022 DD 02/13/17	Corporates	840,000.00	844,288.65	4,131.20	844,928.28	639.63	0.00	0.84 A2	A-	A+	
CALOPTIMA S1-5	9128284H0	US TREAS-CPI INFLAT	0.625%004/15/2023 DD 04/15/18	US Government	1,003,190.27	1,010,483.34	1,319.09	1,015,004.83	4,521.49	0.00	1.01 Govt	AA+	Govt	
CALOPTIMA S1-5	9128284H0	US TREAS-CPI INFLAT	0.625%004/15/2023 DD 04/15/18	US Government	503,752.68	505,827.71	662.38	509,685.36	3,857.65	0.00	0.51 Govt	AA+	Govt	
CALOPTIMA S1-5	912828SA9	US TREAS-CPI INFLAT	0.125% 01/15/2022 DD 01/15/12	US Government	1,523,974.50	1,527,751.22	878.81	1,514,393.90	0.00	-13,357.32	1.51 Govt	AA+	Govt	
CALOPTIMA S1-5	912828SA9	US TREAS-CPI INFLAT	0.125% 01/15/2022 DD 01/15/12	US Government	502,347.15	505,454.98	289.68	499,189.10	0.00	-6,265.88	0.50 Govt	AA+	Govt	
CALOPTIMA S1-5	912828SA9	US TREAS-CPI INFLAT	0.125% 01/15/2022 DD 01/15/12	US Government	1,010,338.65	1,007,653.49	582.62	1,003,987.06	0.00	-3,666.43	1.00 Govt	AA+	Govt	
CALOPTIMA S1-5	912828UH1	US TREAS-CPI INFLAT	0.125% 01/15/2023 DD 01/15/13	US Government	1,023,910.25	1,014,425.34	590.45	1,018,113.76	3,688.42	0.00	1.01 Govt	AA+	Govt	
CALOPTIMA S1-5	032556B24	ANAHEIM CA HSG & PUBLIC IMPT A	1.304% 10/01/2019 DD 10/19/16	Municipal Securities	885,000.00	885,000.00	2,885.10	882,424.65	0.00	-2,575.35	0.88 NR	AA-	AA-	
CALOPTIMA S1-5	072031AF4	BAY AREA CA WTR SPLY & CONSV A	1.914% 10/01/2019 DD 02/27/13	Municipal Securities	150,000.00	150,024.82	717.75	149,800.50	0.00	-224.32	0.15 Aa3	AA-	NR	
CALOPTIMA S1-5	13034PFU2	CALIFORNIA ST HSG FIN AGY REVE	2.379% 08/01/2020 DD 04/14/15	Municipal Securities	450,000.00	449,351.70	4,460.63	451,737.00	2,385.30	0.00	0.45 A1	AA+	NR	
CALOPTIMA S1-5	13034PZH3	CALIFORNIA ST HSG FIN AGY REVE	2.512% 08/01/2021 DD 06/29/17	Municipal Securities	675,000.00	675,000.00	7,065.00	681,237.00	6,237.00	0.00	0.68 A1	AA	NR	
CALOPTIMA S1-5	13066PYY5	CALIFORNIA ST DEPT OF WTR RESO	1.713% 05/01/2021 DD 09/28/16	Municipal Securities	798,257.83	798,257.83	2,279.03	795,487.88	0.00	-2,769.95	0.79 Aa1	AA	AA+	
CALOPTIMA S1-5	13077CT38	CALIFORNIA ST UNIV REVENUE	1.982% 11/01/2019 DD 08/05/15	Municipal Securities	245,000.00	245,000.00	809.32	244,811.35	0.00	-188.65	0.24 Aa2	AA-	NR	
CALOPTIMA S1-5	13077CT46	CALIFORNIA ST UNIV REVENUE	2.332% 11/01/2020 DD 08/05/15	Municipal Securities	495,000.00	498,902.51	1,923.90	496,821.60	0.00	-2,080.91	0.50 Aa2	AA-	NR	
CALOPTIMA S1-5	190335HF9	COAST CA CMNTY CLG DIST	1.556% 08/01/2021 DD 08/31/16	Municipal Securities	415,000.00	415,000.00	2,690.58	410,459.90	0.00	-4,540.10	0.41 Aa1	AA-	NR	
CALOPTIMA S1-5	452650JD7	IMPERIAL CA IRR DIST ELEC REVE	1.320% 11/01/2019 DD 07/14/16	Municipal Securities	655,000.00	657,787.04	1,441.00	652,648.55	0.00	-2,138.49	0.65 NR	AA-	NR	
CALOPTIMA S1-5	45656RCK6	INDUSTRY CA SALES TAX REVENUE	2.500% 01/01/2020 DD 12/03/15	Municipal Securities	230,000.00	229,956.12	2,875.00	230,315.10	358.98	0.00	0.23 A1	AA	NR	
CALOPTIMA S1-5	50520PAD2	LA VERNE CA PENSN OBLIG	3.216% 06/01/2022 DD 08/15/18	Municipal Securities	1,000,000.00	995,032.18	2,680.00	1,026,380.00	31,347.82	0.00	1.02 NR	AA+	NR	
CALOPTIMA S1-5	544445AZ2	LOS ANGELES CA DEPT OF ARPTS A	2.092% 05/15/2020 DD 12/06/16	Municipal Securities	715,000.00	715,000.00	1,911.27	715,257.40	257.40	0.00	0.71 Aa2	AA	AA	
CALOPTIMA S1-5	54473ERR7	LOS ANGELES CNTY CA PUBLIC WKS	2.560% 12/01/2019 DD 09/02/15	Municipal Securities	255,000.00	255,000.00	544.00	255,408.00	408.00	0.00	0.25 Aa2	AA	AA	
CALOPTIMA S1-5	54473ERR7	LOS ANGELES CNTY CA PUBLIC WKS	2.560% 12/01/2019 DD 09/02/15	Municipal Securities	50,000.00	50,098.24	106.67	50,080.00	0.00	-18.24	0.05 Aa2	AA	AA	
CALOPTIMA S1-5	70914PPE6	PENNSYLVANIA ST	4.250% 07/15/2020 DD 12/23/10	Municipal Securities	500,000.00	510,200.33	9,798.61	509,620.00	0.00	-580.33	0.51 Aa3	NR	AA-	
CALOPTIMA S1-5	76886PFB4	RIVERSIDE CA CMNTY CLG DIST	2.848% 08/01/2020 DD 05/29/14	Municipal Securities	355,000.00	357,398.51	4,212.67	357,914.55	516.04	0.00	0.36 Aa2	AA	NR	
CALOPTIMA S1-5	786073AA4	SACRAMENTO CA TRANSIENT OCCUPA	3.455% 06/01/2021 DD 11/01/18	Municipal Securities	805,000.00	805,000.00	2,317.73	821,293.20	16,293.20	0.00	0.82 A1	NR	NR	
CALOPTIMA S1-5	842477TV3	STHRN CALIFORNIA ST PUBLIC PWR	2.029% 07/01/2020 DD 03/04/15	Municipal Securities	780,000.00	785,045.97	7,913.10	779,212.20	0.00	-5,833.77	0.78 NR	AA-	AA-	
CALOPTIMA S1-5	899154AV0	TULARE CNTY CA PENSN OBLG	3.348% 06/01/2023 DD 06/25/18	Municipal Securities	1,000,000.00	1,000,000.00	2,790.00	1,037,370.00	37,370.00	0.00	1.03 A1	AA-	NR	
CALOPTIMA S1-5	912828B58	U S TREASURY NOTE	2.125% 01/31/2021 DD 01/31/14	US Government	410,000.00	415,799.86	3,634.22	411,873.83	0.00	-3,926.03	0.41 Govt	AA+	Govt	
CALOPTIMA S1-5	912828B58	U S TREASURY NOTE	2.125% 01/31/2021 DD 01/31/14	US Government	2,000,000.00	2,032,123.27	17,727.90	2,009,140.62	0.00	-22,982.65	2.00 Govt	AA+	Govt	
CALOPTIMA S1-5	912828B58	U S TREASURY NOTE	2.125% 01/31/2021 DD 01/31/14	US Government	650,000.00	658,268.77	5,761.57	652,970.70	0.00	-5,298.07	0.65 Govt	AA+	Govt	
CALOPTIMA S1-5	912828B58	U S TREASURY NOTE	2.125% 01/31/2021 DD 01/31/14	US Government	1,100,000.00	1,102,846.14	9,750.35	1,105,027.34	2,181.20	0.00	1.10 Govt	AA+	Govt	
CALOPTIMA S1-5	912828B58	U S TREASURY NOTE	2.125% 01/31/2021 DD 01/31/14	US Government	360,000.00	361,337.59	3,191.02	361,645.31	307.72	0.00	0.36 Govt	AA+	Govt	
CALOPTIMA S1-5	912828B58	U S TREASURY NOTE	2.125% 01/31/2021 DD 01/31/14	US Government	985,000.00	976,478.08	8,730.99	989,501.76	13,023.68	0.00	0.99 Govt	AA+	Govt	
CALOPTIMA S1-5	912828J43	U S TREASURY NOTE	1.750% 02/28/2022 DD 02/28/15	US Government	150,000.00	148,559.39	877.38	150,093.75	1,534.36	0.00	0.15 Govt	AA+	Govt	
CALOPTIMA S1-5	912828J43	U S TREASURY NOTE	1.750% 02/28/2022 DD 02/28/15	US Government	575,000.00	569,563.59	3,363.28	575,359.38	5,795.79	0.00	0.57 Govt	AA+	Govt	
CALOPTIMA S1-5	912828J43	U S TREASURY NOTE	1.750% 02/28/2022 DD 02/28/15	US Government	600,000.00	594,199.83	3,509.51	600,375.00	6,175.17	0.00	0.60 Govt	AA+	Govt	
CALOPTIMA S1-5	912828J43	U S TREASURY NOTE	1.750% 02/28/2022 DD 02/28/15	US Government	1,800,000.00	1,782,417.56	10,528.53	1,801,125.00	18,707.44	0.00	1.79 Govt	AA+	Govt	
CALOPTIMA S1-5	912828L57	U S TREASURY NOTE	1.750% 09/30/2022 DD 09/30/15	US Government	350,000.00	347,111.78	1,539.61	350,246.09	3,134.31	0.00	0.35 Govt	AA+	Govt	
CALOPTIMA S1-5	912828L57	U S TREASURY NOTE	1.750% 09/30/2022 DD 09/30/15	US Government	625,000.00	619,902.24	2,749.32	625,439.45	5,537.21	0.00	0.62 Govt	AA+	Govt	
CALOPTIMA S1-5	912828L57	U S TREASURY NOTE	1.750% 09/30/2022 DD 09/30/15	US Government	1,000,000.00	989,012.48	4,398.91	1,000,703.12	11,690.64	0.00	1.00 Govt	AA+	Govt	
CALOPTIMA S1-5	912828L57	U S TREASURY NOTE	1.750% 09/30/2022 DD 09/30/15	US Government	770,000.00	760,388.23	3,387.16	770,541.40	10,153.17	0.00	0.77 Govt	AA+	Govt	
CALOPTIMA S1-5	912828L57	U S TREASURY NOTE	1.750% 09/30/2022 DD 09/30/15	US Government	990,000.00	975,531.28	4,354.92	990,696.09	15,164.81	0.00	0.99 Govt	AA+	Govt	
CALOPTIMA S1-5	912828L99	U S TREASURY NOTE	1.750% 09/30/2022 DD 09/30/15	US Government	2,850,000.00	2,771,477.21	12,536.88	2,852,003.90	80,526.69	0.00	2.84 Govt	AA+	Govt	
CALOPTIMA S1-5	912828L99	U S TREASURY NOTE	1.375% 10/31/2020 DD 10/31/15	US Government	850,000.00	847,119.51	1,969.09	844,488.28	0.00	-2,631.23	0.84 Govt	AA+	Govt	
CALOPTIMA S1-5	912828L99	U S TREASURY NOTE	1.375% 10/31/2020 DD 10/31/15	US Government	995,000.00	978,305.27	2,304.99	988,548.04	10,242.77	0.00	0.99 Govt	AA+	Govt	
CALOPTIMA S1-5	912828S76	U S TREASURY NOTE	1.125% 07/31/2021 DD 07/31/16	US Government	4,400,000.00	4,340,887.03	20,647.79	4,343,281.27	2,394.24	0.00	4.33 Govt	AA+	Govt	
CALOPTIMA S1-5	912828S76	U S TREASURY NOTE	1.125% 07/31/2021 DD 07/31/16	US Government	3,850,000.00	3,713,722.45	18,066.82	3,800,371.12	86,648.67	0.00	3.79 Govt	AA+	Govt	
CALOPTIMA S1-5	3136ASKR6	FNMA GTD REMIC P/T 12-31 AD	1.750% 10/25/2022 DD 03/01/12	RMBS	231,429.49	228,337.89	337.50	229,894.40	1,556.51	0.00	0.23 Agency	AA+	Agency	
CALOPTIMA S1-5	3136ASKR6	FNMA GTD REMIC P/T 12-31 AD	1.750% 10/25/2022 DD 03/01/12	RMBS	583,255.83	576,126.79	850.58	579,387.03	3,260.24	0.00	0.58 Agency	AA+	Agency	
CALOPTIMA S1-5	3137A1LC5	FHLMC MULTICLASS MTG 3710 AB	2.000% 08/15/2020 DD 08/01/10	RMBS	15,723.72	15,726.55	26.21	15,668.57	0.00	-57.98	0.02 Agency	AA+	Agency	
CALOPTIMA S1-5	3137B2ZH6	FHLMC MULTICLASS MTG 4221 HJ	1.500% 07/15/2023 DD 06/01/13	RMBS	154,220.56	152,027.11	192.78	152,709.55	682.44	0.00	0.15 Agency	AA+	Agency	
CALOPTIMA S1-5	3137GAUY1	FHLMC MULTICLASS MTG 3737 MA	1.500% 10/15/2022 DD 10/01/10	RMBS	265,773.24	258,999.90	332.22	264,239.63	5,239.73	0.00	0.26 Agency	AA+	Agency	
CALOPTIMA S1-5	62888VAA6	NCUA GUARANTEED NOTES TR R1 1A	VAR RT 10/07/2020 DD 10/27/10	RMBS	1,086,253.86	1,086,541.87	2,341.30	1,087,913.22	1,371.35	0.00	1.08 Aaa	AA+	AAA	
CALOPTIMA S1-5	62888VAA4	NCUA GUARANTEED NOTES TR R3 1A	VAR RT 12/08/2020 DD 12/09/10	RMBS	345,604.21	346,030.66	686.25	346,373.70	343.04	0.00	0.			

Report: Credit Rating
 Account: WC-CalOptima - Tier One (66882)
 As of: 06/30/2019
 Base Currency: USD



AAA

Identifier	Description	Ending Base Current	Ending Effective	Ending Final	Security Type	Rating	Moody's	S&P	Fitch	Base Net Market	Base Accrued	% of Base Market	Base Market Value +
		Units	Maturity	Maturity						Unrealized Gain/Loss	Balance	Value + Accrued	Accrued
02582JF8	AMXCA 186 A	2,900,000.00	07/15/2021	02/15/2024	ABS	AAA	Aaa	NA	AAA	37,670.54	3,944.00	1.94%	2,964,176.42
05522RCX4	BACCT 172 A	1,900,000.00	08/16/2020	08/17/2020	ABS	AAA	NR	AAA	AAA	13,138.05	1,553.78	1.24%	1,896,000.65
05522RCZ9	BACCT 18A2 A	1,000,000.00	04/15/2021	09/15/2021	ABS	AAA	Aaa	AAA	NA	12,327.50	1,333.33	0.67%	1,018,544.03
05586CAC8	BMWLT 181 A3	550,000.00	09/03/2020	07/20/2021	ABS	AAA	Aaa	AAA	NA	7,233.42	547.86	0.37%	557,735.81
14042WAC4	COPAR 191 A3	1,500,000.00	10/06/2021	11/15/2023	ABS	AAA	Aaa	AAA	AAA	17,288.77	1,673.33	0.99%	1,518,666.98
17305EGK5	CCCT 18A1 A1	1,185,000.00	01/20/2021	01/20/2023	ABS	AAA	Aaa	NA	AAA	126.73	13,195.96	0.79%	1,206,295.20
3130A66T9	FEDERAL HOME LOAN BANKS	2,000,000.00	09/11/2020	09/11/2020	AGCY BOND	AAA	Aaa	AA+	AAA	(8,812.78)	9,930.56	1.31%	2,001,800.56
3130A66T9	FEDERAL HOME LOAN BANKS	450,000.00	09/11/2020	09/11/2020	AGCY BOND	AAA	Aaa	AA+	AAA	(1,972.31)	2,234.38	0.29%	450,405.13
3130A66T9	FEDERAL HOME LOAN BANKS	2,000,000.00	09/11/2020	09/11/2020	AGCY BOND	AAA	Aaa	AA+	AAA	(10,228.81)	9,930.56	1.31%	2,001,800.56
3130AF5B9	FEDERAL HOME LOAN BANKS	1,000,000.00	10/12/2021	10/12/2021	AGCY BOND	AAA	Aaa	AA+	AAA	27,073.23	6,583.33	0.68%	1,033,219.33
3133EJ5P0	FEDERAL FARM CREDIT BANKS FUNDING CORP	3,000,000.00	01/18/2022	01/18/2022	AGCY BOND	AAA	Aaa	AA+	AAA	61,701.04	35,316.67	2.02%	3,093,405.67
3133EJW70	FEDERAL FARM CREDIT BANKS FUNDING CORP	3,000,000.00	05/26/2021	05/26/2021	AGCY BOND	AAA	Aaa	AA+	AAA	63,325.92	8,385.42	2.01%	3,069,285.42
3137AN2K0	FHR 4019D EV	1,223,264.02	07/18/2021	06/15/2023	FHLMC CMO	AAA	Aaa	AA+	AAA	13,438.35	3,567.85	0.82%	1,250,118.90
3137APP61	FHMS K018 A2	1,300,000.00	11/01/2021	01/25/2022	FHLMC	AAA	Aaa	AA+	AAA	3,553.37	3,021.42	0.87%	1,323,528.14
3137BFDQ1	FHMS K717 A2	1,150,000.00	07/21/2021	09/25/2021	FHLMC	AAA	Aaa	AA+	AAA	7,966.57	2,866.38	0.77%	1,170,222.64
3141TEUP4	FN AB7789	1,013,092.17	01/06/2021	02/01/2023	FNMA	AAA	Aaa	AA+	AAA	12,688.28	1,688.49	0.66%	1,014,793.42
316175108	FIDELITY IMM-GOVT I	30,017.81	06/30/2019	06/30/2019	MMFUND	AAA	Aaa	AAAm	AAA	0.00	0.00	0.02%	30,017.81
459058GA5	INTERNATL BANK FOR RECONSTRUCTION AND DEVLMT	2,000,000.00	09/04/2020	09/04/2020	SUPRANATIONAL	AAA	Aaa	AAA	AAA	(7,436.38)	10,562.50	1.31%	2,002,960.50
459058GH0	INTERNATL BANK FOR RECONSTRUCTION AND DEVLMT	1,500,000.00	07/23/2021	07/23/2021	SUPRANATIONAL	AAA	Aaa	AAA	NA	30,170.79	18,104.17	1.01%	1,545,827.17
459058CM0	INTERNATL FINANCE CORP	1,350,000.00	01/25/2021	01/25/2021	SUPRANATIONAL	AAA	Aaa	AAA	NA	9,247.98	13,162.50	0.90%	1,370,304.00
47789JAD8	JDOT 2019 A3	2,100,000.00	08/16/2021	07/17/2023	ABS	AAA	Aaa	NA	AAA	38,365.51	2,716.00	1.40%	2,140,854.52
58772RAD6	MBART 181 A3	2,640,000.00	11/12/2020	01/15/2023	ABS	AAA	Aaa	AAA	NA	35,470.26	3,555.20	1.75%	2,678,959.71
65479GAD1	NAROT 18B A3	1,875,000.00	01/24/2021	03/15/2023	ABS	AAA	Aaa	AAA	NA	30,363.12	2,550.00	1.25%	1,907,871.38
83191GAD1	SMAT 162US A3A	836,023.80	11/14/2019	03/15/2021	ABS	AAA	Aaa	NA	AAA	(5,119.68)	675.09	0.55%	833,884.00
89231AAD3	TAOT 18C A3	1,850,000.00	01/17/2021	12/15/2022	ABS	AAA	Aaa	AAA	NA	14,194.81	2,483.11	1.23%	1,883,016.62
912828Z22	UNITED STATES TREASURY	2,040,000.00	10/15/2020	10/15/2020	US GOV	AAA	Aaa	AA+	AAA	(4,314.33)	6,974.18	1.34%	2,040,440.06
912828Z22	UNITED STATES TREASURY	3,000,000.00	10/15/2020	10/15/2020	US GOV	AAA	Aaa	AA+	AAA	30,238.57	10,256.15	1.96%	3,000,647.15
9128283G3	UNITED STATES TREASURY	3,000,000.00	11/15/2020	11/15/2020	US GOV	AAA	Aaa	AA+	AAA	(41.69)	6,705.16	1.97%	3,002,253.16
9128283L2	UNITED STATES TREASURY	400,000.00	12/15/2020	12/15/2020	US GOV	AAA	Aaa	AA+	AAA	876.85	327.87	0.26%	400,515.47
9128283L2	UNITED STATES TREASURY	1,825,000.00	12/15/2020	12/15/2020	US GOV	AAA	Aaa	AA+	AAA	4,224.18	1,495.90	1.20%	1,827,351.83
9128284B3	UNITED STATES TREASURY	3,000,000.00	03/15/2021	03/15/2021	US GOV	AAA	Aaa	AA+	AAA	30,308.53	20,910.33	2.00%	3,049,854.33
9128284G2	UNITED STATES TREASURY	3,000,000.00	04/15/2021	04/15/2021	US GOV	AAA	Aaa	AA+	AAA	42,971.01	14,989.75	1.99%	3,045,457.75
9128285A4	UNITED STATES TREASURY	4,000,000.00	09/15/2021	09/15/2021	US GOV	AAA	Aaa	AA+	AAA	99,451.24	32,282.61	2.70%	4,121,034.61
9128285G1	UNITED STATES TREASURY	1,000,000.00	10/31/2020	10/31/2020	US GOV	AAA	Aaa	AA+	AAA	12,508.07	4,843.75	0.67%	1,017,851.75
9128285G1	UNITED STATES TREASURY	3,000,000.00	10/31/2020	10/31/2020	US GOV	AAA	Aaa	AA+	AAA	31,126.54	14,531.25	2.00%	3,053,555.25
9128285L0	UNITED STATES TREASURY	2,500,000.00	11/15/2021	11/15/2021	US GOV	AAA	Aaa	AA+	AAA	63,823.22	9,179.69	1.69%	2,574,999.69
9128285S5	UNITED STATES TREASURY	1,400,000.00	12/31/2020	12/31/2020	US GOV	AAA	Aaa	AA+	AAA	15,846.90	95.11	0.93%	1,413,658.31
9128285V8	UNITED STATES TREASURY	3,000,000.00	01/15/2022	01/15/2022	US GOV	AAA	Aaa	AA+	AAA	64,840.87	34,599.45	2.02%	3,091,317.45
9128285V8	UNITED STATES TREASURY	4,000,000.00	01/15/2022	01/15/2022	US GOV	AAA	Aaa	AA+	AAA	69,780.72	46,132.60	2.70%	4,121,756.60
9128285X4	UNITED STATES TREASURY	900,000.00	01/31/2021	01/31/2021	US GOV	AAA	Aaa	AA+	AAA	9,334.12	9,385.36	0.60%	918,807.46
9128286C9	UNITED STATES TREASURY	2,950,000.00	02/15/2022	02/15/2022	US GOV	AAA	Aaa	AA+	AAA	51,481.72	27,707.18	1.99%	3,035,668.78
9128286C9	UNITED STATES TREASURY	2,160,000.00	02/15/2022	02/15/2022	US GOV	AAA	Aaa	AA+	AAA	27,516.74	20,287.29	1.45%	2,222,726.97
9128286C9	UNITED STATES TREASURY	2,500,000.00	02/15/2022	02/15/2022	US GOV	AAA	Aaa	AA+	AAA	32,082.71	23,480.66	1.68%	2,572,600.66
9128286M7	UNITED STATES TREASURY	475,000.00	04/15/2022	04/15/2022	US GOV	AAA	Aaa	AA+	AAA	6,750.31	2,248.46	0.32%	483,946.91

9128286U9	UNITED STATES TREASURY	1,800,000.00	05/15/2022	05/15/2022	US GOV	AAA	Aaa	AA+	AAA	11,269.81	4,885.19	1.19%	1,825,135.19
9128286U9	UNITED STATES TREASURY	2,700,000.00	05/15/2022	05/15/2022	US GOV	AAA	Aaa	AA+	AAA	16,904.72	7,327.79	1.79%	2,737,702.79
9128286U9	UNITED STATES TREASURY	900,000.00	05/15/2022	05/15/2022	US GOV	AAA	Aaa	AA+	AAA	763.46	2,442.60	0.60%	912,567.60
9128286U9	UNITED STATES TREASURY	1,400,000.00	05/15/2022	05/15/2022	US GOV	AAA	Aaa	AA+	AAA	902.35	3,799.59	0.93%	1,419,549.59
9128286U9	UNITED STATES TREASURY	4,800,000.00	05/15/2022	05/15/2022	US GOV	AAA	Aaa	AA+	AAA	1,125.00	13,027.17	3.19%	4,867,027.17
9128287A2	UNITED STATES TREASURY	2,100,000.00	06/30/2021	06/30/2021	US GOV	AAA	Aaa	AA+	AAA	(328.78)	185.46	1.37%	2,095,344.96
92868LAD3	VALET 181 A3	2,600,000.00	01/20/2021	11/21/2022	ABS	AAA	NA	AAA	AAA	36,965.42	2,399.22	1.73%	2,639,127.86
CCYUSD	Cash	0.96	06/30/2019	06/30/2019	CASH	AAA	Aaa	AAA	AAA	0.00	0.00	0.00%	0.96
CCYUSD	Payable	(6,961,575.91)	06/30/2019	06/30/2019	CASH	AAA	Aaa	AAA	AAA	0.00	0.00	-4.56%	(6,961,575.91)
CCYUSD	Receivable	6,988,119.47	06/30/2019	06/30/2019	CASH	AAA	Aaa	AAA	AAA	0.00	0.00	4.57%	6,988,119.47
---	---	99,828,942.31	06/21/2021	11/22/2021	---	AAA	Aaa	AA+	AAA	1,058,182.55	480,081.64	66.43%	101,481,138.41

AA+

Identifier	Description	Ending Base Current Units	Ending Effective Maturity	Ending Final Maturity	Security Type	Rating	Moody's	S&P	Fitch	Base Net Market Unrealized Gain/Loss	Base Accrued Balance	% of Base Market Value + Accrued	Base Market Value + Accrued
92348XAC9	VZOT 18A B	2,925,000.00	11/20/2021	04/20/2023	ABS	AA+	Aa1	AA+	AA	88,068.90	3,020.88	1.97%	3,015,545.65
92348XAC9	VZOT 18A B	2,925,000.00	11/20/2021	04/20/2023	ABS	AA+	Aa1	AA+	AA	88,068.90	3,020.88	1.97%	3,015,545.65

AA

Identifier	Description	Ending Base Current Units	Ending Effective Maturity	Ending Final Maturity	Security Type	Rating	Moody's	S&P	Fitch	Base Net Market Unrealized Gain/Loss	Base Accrued Balance	% of Base Market Value + Accrued	Base Market Value + Accrued
798170AC0	SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF TH	1,500,000.00	08/01/2020	08/01/2020	MUNI	AA	NA	AA	AA	4,515.00	14,118.75	0.99%	1,518,633.75
931142EJ8	WALMART INC	2,000,000.00	06/23/2021	06/23/2021	CORP	AA	Aa2	AA	AA	43,710.71	1,388.89	1.34%	2,045,028.89
---	---	3,500,000.00	02/04/2021	02/04/2021	---	AA	Aa2	AA	AA	48,225.71	15,507.64	2.33%	3,563,662.64

AA-

Identifier	Description	Ending Base Current Units	Ending Effective Maturity	Ending Final Maturity	Security Type	Rating	Moody's	S&P	Fitch	Base Net Market Unrealized Gain/Loss	Base Accrued Balance	% of Base Market Value + Accrued	Base Market Value + Accrued
13063DGA0	CALIFORNIA ST	1,250,000.00	04/01/2021	04/01/2021	MUNI	AA-	Aa3	AA-	AA-	19,490.61	8,750.00	0.84%	1,278,262.50
798754DL8	SAN MARCOS CALIF REDEV AGY TAX ALLOCATION	2,130,000.00	10/01/2020	10/01/2020	MUNI	AA-	NA	AA-	NA	23,243.05	42,600.00	1.53%	2,330,390.40
89236TCZ6	TOYOTA MOTOR CREDIT CORP	2,000,000.00	04/08/2021	04/08/2021	CORP	AA-	Aa3	AA-	A+	33,084.64	8,761.11	1.31%	1,999,981.11
90331HPA5	US BANK NA	1,750,000.00	01/04/2021	02/04/2021	CORP	AA-	A1	AA-	AA-	22,353.18	21,437.50	1.17%	1,792,654.50
90331HPA5	US BANK NA	400,000.00	01/04/2021	02/04/2021	CORP	AA-	A1	AA-	AA-	3,924.06	4,900.00	0.27%	409,749.60
913366HW3	UNIV CALIF REGTS MED CTR POOLED REV	1,000,000.00	05/15/2022	05/15/2022	MUNI	AA-	Aa3	AA-	AA-	3,470.71	2,411.17	0.65%	996,321.17
92826CAB8	VISA INC	900,000.00	11/14/2020	12/14/2020	CORP	AA-	Aa3	AA-	NA	10,211.51	935.00	0.59%	902,347.10
92826CAB8	VISA INC	1,000,000.00	11/14/2020	12/14/2020	CORP	AA-	Aa3	AA-	NA	11,194.14	1,038.89	0.66%	1,002,607.89
---	---	10,430,000.00	02/17/2021	03/01/2021	---	AA-	Aa3	AA-	AA-	126,971.90	90,833.67	7.01%	10,712,314.27

A+

Identifier	Description	Ending Base Current Units	Ending Effective Maturity	Ending Final Maturity	Security Type	Rating	Moody's	S&P	Fitch	Base Net Market Unrealized Gain/Loss	Base Accrued Balance	% of Base Market Value + Accrued	Base Market Value + Accrued
06406HDF3	BANK OF NEW YORK MELLON CORP	1,000,000.00	10/27/2020	11/27/2020	CORP	A+	A1	A	AA-	5,416.20	2,313.89	0.66%	1,006,292.89
06406HDF3	BANK OF NEW YORK MELLON CORP	1,200,000.00	10/27/2020	11/27/2020	CORP	A+	A1	A	AA-	9,859.73	2,776.67	0.79%	1,207,551.47
17325FAE8	CITIBANK NA	850,000.00	06/12/2020	06/12/2020	CORP	A+	Aa3	A+	A+	(1,488.52)	942.08	0.56%	849,335.58
17325FAL2	CITIBANK NA	1,200,000.00	01/12/2021	02/12/2021	CORP	A+	Aa3	A+	A+	9,940.71	13,205.00	0.80%	1,223,105.00
191216BT6	COCA-COLA CO	500,000.00	10/27/2020	10/27/2020	CORP	A+	A1	A+	A	(1,143.24)	1,666.67	0.33%	500,588.17
544587K64	LOS ANGELES CALIF MUN IMPT CORP LEASE REV	600,000.00	11/01/2020	11/01/2020	MUNI	A+	A1	AA-	NA	4,500.00	2,554.00	0.40%	607,054.00
665859AL8	NORTHERN TRUST CORP	600,000.00	11/04/2020	11/04/2020	CORP	A+	A2	A+	AA-	5,359.57	3,277.50	0.40%	613,206.90
69371RP42	PACCAR FINANCIAL CORP	2,000,000.00	08/09/2021	08/09/2021	CORP	A+	A1	A+	NA	36,715.52	24,850.00	1.35%	2,061,124.00
79766DLQ0	SAN FRANCISCO CALIF CITY & CNTY ARPTS COMMN INTL A	1,000,000.00	05/01/2021	05/01/2021	MUNI	A+	A1	A+	A+	14,190.00	4,878.33	0.67%	1,019,068.33
857477AV5	STATE STREET CORP	2,000,000.00	05/19/2021	05/19/2021	CORP	A+	A1	A	AA-	31,721.59	4,550.00	1.31%	1,999,338.00
88579YBF7	3M CO	1,500,000.00	02/01/2022	03/01/2022	CORP	A+	A1	AA-	NA	25,315.54	14,781.25	1.01%	1,539,475.75
899154AT5	TULARE CNTY CALIF PENSION OBLIG	2,000,000.00	06/01/2021	06/01/2021	MUNI	A+	A1	AA-	NA	31,260.00	5,093.33	1.33%	2,036,353.33
---	---	14,450,000.00	04/04/2021	04/14/2021	---	A+	A1	A+	AA-	171,647.11	80,888.72	9.60%	14,662,493.42

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Identifier	Description	Ending Base Current Units	Ending Effective Maturity	Ending Final Maturity	Security Type	Rating	Moody's	S&P	Fitch	Base Net Market Unrealized Gain/Loss	Base Accrued Balance	% of Base Market Value + Accrued	Base Market Value + Accrued
06051GEE5	BANK OF AMERICA CORP	1,700,000.00	01/05/2021	01/05/2021	CORP	A	A2	A-	A+	17,640.82	48,827.78	1.20%	1,836,654.88
14913Q2J7	CATERPILLAR FINANCIAL SERVICES CORP	1,000,000.00	05/15/2020	05/15/2020	CORP	A	A3	A	A	5,644.55	3,769.44	0.66%	1,009,329.44
24422ETZ2	JOHN DEERE CAPITAL CORP	1,000,000.00	01/08/2021	01/08/2021	CORP	A	A2	A	A	5,356.78	11,293.06	0.66%	1,014,278.06
24422ETZ2	JOHN DEERE CAPITAL CORP	1,200,000.00	01/08/2021	01/08/2021	CORP	A	A2	A	A	10,890.89	13,551.67	0.80%	1,217,133.67
369550BE7	GENERAL DYNAMICS CORP	1,000,000.00	05/11/2021	05/11/2021	CORP	A	A2	A+	WR	20,581.13	4,166.67	0.67%	1,020,358.67
369550BE7	GENERAL DYNAMICS CORP	500,000.00	05/11/2021	05/11/2021	CORP	A	A2	A+	WR	10,414.14	2,083.33	0.33%	510,179.33
40428HPV8	HSBC USA INC	2,200,000.00	08/07/2020	08/07/2020	CORP	A	A2	A	AA-	7,675.46	24,200.00	1.46%	2,235,294.60
44932HAK9	IBM CREDIT LLC	1,000,000.00	11/30/2020	11/30/2020	CORP	A	A1	A	A	17,276.55	2,970.83	0.67%	1,019,683.83
4662SHNX4	JPMORGAN CHASE & CO	2,000,000.00	09/29/2020	10/29/2020	CORP	A	A2	A-	AA-	23,332.45	8,783.33	1.32%	2,013,689.33
69353REY0	PNC BANK NA	945,000.00	11/09/2021	12/09/2021	CORP	A	A2	A	A+	145.76	1,472.63	0.62%	954,324.63
797330AD9	SAN DIEGO CALIF TOB SETTLEMENT REV FDG CORP	1,010,000.00	06/01/2020	06/01/2020	MUNI	A	NA	A	NA	3,454.20	2,360.03	0.66%	1,015,814.23
808513AW5	CHARLES SCHWAB CORP	950,000.00	04/21/2021	05/21/2021	CORP	A	A2	A	A	5,558.57	3,430.56	0.64%	971,826.36
---	---	14,505,000.00	12/07/2020	12/15/2020	---	A	A2	A	A+	127,971.28	126,909.33	9.70%	14,818,567.03

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Identifier	Description	Ending Base Current Units	Ending Effective Maturity	Ending Final Maturity	Security Type	Rating	Moody's	S&P	Fitch	Base Net Market Unrealized Gain/Loss	Base Accrued Balance	% of Base Market Value + Accrued	Base Market Value + Accrued
44644AAD9	HUNTINGTON NATIONAL BANK	1,000,000.00	04/14/2021	05/14/2021	CORP	A-	A3	A-	A-	17,958.72	4,243.06	0.67%	1,020,766.06
44644AAH0	HUNTINGTON NATIONAL BANK	1,000,000.00	03/01/2022	04/01/2022	CORP	A-	A3	A-	A-	20,371.71	10,850.69	0.67%	1,030,422.69
61761JB32	MORGAN STANLEY	1,400,000.00	06/16/2020	06/16/2020	CORP	A-	A3	BBB+	A	11,681.94	1,633.33	0.92%	1,408,144.73
91324PDC3	UNITEDHEALTH GROUP INC	1,060,000.00	10/15/2020	10/15/2020	CORP	A-	A3	A+	A-	(3,550.84)	4,363.67	0.69%	1,060,035.69
---	---	4,460,000.00	02/10/2021	02/23/2021	CORP	A-	A3	A-	A-	46,461.53	21,090.75	2.96%	4,519,369.17

Summary

Identifier	Description	Ending Base Current Units	Ending Effective Maturity	Ending Final Maturity	Security Type	Rating	Moody's	S&P	Fitch	Base Net Market Unrealized Gain/Loss	Base Accrued Balance	% of Base Market Value + Accrued	Base Market Value + Accrued
---	---	150,098,942.31	05/13/2021	09/05/2021	---	AA+	Aa1	AA	AA+	1,667,528.98	818,332.62	100.00%	152,773,090.58

* Grouped by: Rating
 * Groups Sorted by: Rating
 * Weighted by: Base Market Value + Accrued

Portfolio Positions

as of June 30, 2019

Currency: USD

Units	Security	Identifier	Original Principal Cost Purchased	Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio
Cash							
	CASH OR STIF	USD	5,954,779.38	5,954,779.38	0.00	1.000	1.93%
Total for Cash			5,954,779.38	5,954,779.38	0.00		1.93%
Money Markets							
2,500,000.000	EXXON MOBIL CP Mat: 7/10/19 Cpn: 0.00% Moody's: P-1 S&P: A-1+ Fitch: NR Tr Date: 4/9/19 St Date: 4/10/19	30229BUA3	2,484,327.78 0.00	2,484,411.11 14,122.22	83.33	99.934	0.81%
1,400,000.000	YALE UNIVERSITY CP-TXBL Mat: 7/10/19 Cpn: 0.00% Moody's: NR S&P: NR Fitch: NR Tr Date: 4/11/19 St Date: 4/11/19	98459SUA4	1,391,075.00 0.00	1,391,098.33 8,032.50	23.33	99.931	0.45%
2,000,000.000	MIZUHO BANK YCD FRN Mat: 7/26/19 Cpn: 2.61% Moody's: P-1 S&P: A-1 Fitch: F1 Tr Date: 1/25/19 St Date: 1/28/19	60700A6T6	2,000,000.00 0.00	2,000,339.26 9,556.73	339.26	100.017	0.65%
20,250,000.000	U.S. TREASURY BILL Mat: 8/8/19 Cpn: 0.00% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 2/6/19 St Date: 2/7/19	912796SC4	20,001,331.12 0.00	20,010,231.16 196,749.00	8,900.04	99.781	6.54%
25,000,000.000	U.S. TREASURY BILL Mat: 8/15/19 Cpn: 0.00% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 2/13/19 St Date: 2/14/19	912796QV4	24,690,979.17 0.00	24,703,875.14 232,614.58	12,895.97	99.739	8.07%
2,500,000.000	KAISER FOUNDATION CP Mat: 9/10/19 Cpn: 0.00% Moody's: NR S&P: NR Fitch: NR Tr Date: 6/5/19 St Date: 6/6/19	48306BWA9	2,483,866.67 0.00	2,483,966.67 4,201.39	100.00	99.520	0.81%
15,000,000.000	U.S. TREASURY BILL Mat: 9/12/19 Cpn: 0.00% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 6/28/19 St Date: 6/28/19	912796RA9	14,935,241.67 0.00	14,935,426.67 2,556.25	185.00	99.581	4.84%
1,500,000.000	BNP PARIBAS YCD FRN Mat: 9/18/19 Cpn: 2.52% Moody's: P-1 S&P: A-1 Fitch: F1+ Tr Date: 3/18/19 St Date: 3/18/19	05586FYA9	1,500,000.00 0.00	1,499,107.50 1,365.95	(892.50)	99.941	0.49%



CALOPTIMA - OPERATING FUND

Portfolio 2480

Portfolio Positions

as of June 30, 2019

Currency: USD

Units	Security	Identifier	Original Principal Cost Purchased	Accrued Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio
15,000,000.000	U.S. TREASURY BILL Mat: 9/19/19 Cpn: 0.00% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 6/28/19 St Date: 6/28/19	912796SJ9	14,930,833.33 0.00	14,928,862.33 2,500.00	(1,971.00)	99.537	4.83%
15,000,000.000	U.S. TREASURY BILL Mat: 9/26/19 Cpn: 0.00% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 6/28/19 St Date: 6/28/19	912796SK6	14,922,562.50 0.00	14,923,262.83 2,581.25	700.33	99.500	4.83%
2,000,000.000	SVENSKA HANDELSBANKEN NY YCD FRN Mat: 10/21/19 Cpn: 2.86% Moody's: P-1 S&P: A-1+ Fitch: F1+ Tr Date: 1/25/19 St Date: 1/28/19	86958JC98	2,003,384.40 1,010.33	2,001,752.00 10,969.08	(1,632.40)	100.088	0.65%
2,000,000.000	BANK OF NOVA SCOTIA HOUSTON YCD 3ML FRN Mat: 11/4/19 Cpn: 2.83% Moody's: P-1 S&P: A-1 Fitch: F1+ Tr Date: 2/26/19 St Date: 2/28/19	06417GS41	2,003,826.00 3,996.67	2,001,662.00 8,632.34	(2,164.00)	100.083	0.65%
2,000,000.000	CREDIT AGRICOLE YCD FRN Mat: 11/8/19 Cpn: 2.58% Moody's: P-1 S&P: A-1 Fitch: F1 Tr Date: 2/11/19 St Date: 2/12/19	22532XLF3	2,000,000.00 0.00	1,997,828.00 2,726.90	(2,172.00)	99.891	0.65%
50,000,000.000	U.S. TREASURY BILL Mat: 11/14/19 Cpn: 0.00% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 5/21/19 St Date: 5/21/19	912796SS9	49,424,750.00 0.00	49,485,125.14 133,250.00	60,375.14	99.230	16.07%
1,560,000.000	STATE STREET BANK CD FRN Mat: 11/15/19 Cpn: 2.48% Moody's: P-1 S&P: A-1+ Fitch: F1+ Tr Date: 5/14/19 St Date: 5/15/19	8574P1ME3	1,560,000.00 0.00	1,559,844.00 1,507.11	(156.00)	99.990	0.51%
5,000,000.000	U.S. TREASURY BILL Mat: 11/29/19 Cpn: 0.00% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 5/29/19 St Date: 5/30/19	912796SU4	4,941,351.04 0.00	4,947,051.04 10,255.56	5,700.00	99.140	1.61%
5,000,000.000	U.S. TREASURY BILL Mat: 12/5/19 Cpn: 0.00% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 6/5/19 St Date: 6/6/19	912796RN1	4,944,869.17 0.00	4,948,874.03 7,572.92	4,004.86	99.123	1.60%
1,000,000.000	CREDIT SUISSE NY YCD SOFR+38 Mat: 3/6/20 Cpn: 2.88% Moody's: P-1 S&P: A-1 Fitch: F1 Tr Date: 3/8/19 St Date: 3/11/19	22549LWP6	1,000,000.00 0.00	999,413.00 1,539.44	(587.00)	99.941	0.32%



Portfolio Positions

as of June 30, 2019

Currency: USD

Units	Security	Identifier	Original Principal Cost Purchased	Accrued	Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio	
1,000,000.000	AUST & NZ BANK NY YCD FRN Mat: 3/31/20 Cpn: 2.38% Moody's: P-1 S&P: A-1+ Fitch: F1+ Tr Date: 4/1/19 St Date: 4/2/19	05252WQV8	1,000,000.00	517.20	1,000,000.00	198.32	0.00	100.000	0.32%
790,000.000	BNP PARIBAS YCD FRN Mat: 4/17/20 Cpn: 2.64% Moody's: P-1 S&P: A-1 Fitch: F1+ Tr Date: 4/16/19 St Date: 4/17/19	05586FF28	790,000.00	0.00	790,000.00	4,341.71	0.00	100.000	0.26%
1,000,000.000	BANK OF MONTREAL YCD FRN SOFR+23 Mat: 5/8/20 Cpn: 2.65% Moody's: P-1 S&P: A-1 Fitch: F1+ Tr Date: 5/8/19 St Date: 5/9/19	06370RZZ5	1,000,000.00	0.00	1,000,000.00	3,864.44	0.00	100.000	0.33%
4,400,000.000	U.S. TREASURY BILL Mat: 6/18/20 Cpn: 0.00% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 6/19/19 St Date: 6/20/19	912796SV2	4,311,022.22	0.00	4,316,897.84	2,688.89	5,875.62	98.167	1.40%
Total for Money Markets			174,319,420.07	5,524.20	174,409,028.06	661,826.58	89,607.98		56.69%
Treasuries									
33,500,000.000	U.S. TREASURY NOTE Mat: 8/31/19 Cpn: 1.63% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 5/8/19 St Date: 5/9/19	912828D80	33,410,878.91	104,874.32	33,467,285.24	181,951.43	56,406.33	99.902	10.90%
Total for Treasuries			33,410,878.91	104,874.32	33,467,285.24	181,951.43	56,406.33		10.90%
Government Related									
2,370,000.000	IBRD FRN SOFR+22 Mat: 8/21/20 Cpn: 2.72% Moody's: Aaa S&P: AAA Fitch: Tr Date: 8/14/18 St Date: 8/21/18	459058GK3	2,370,000.00	0.00	2,372,519.31	7,061.94	2,519.31	100.106	0.77%
Total for Government Related			2,370,000.00	0.00	2,372,519.31	7,061.94	2,519.31		0.77%
Agencies									
520,000.000	HOUSING URBAN DEVELOPMENT Mat: 8/1/19 Cpn: 2.54% Moody's: S&P: Fitch: Tr Date: 3/20/19 St Date: 3/28/19	911759MS4	520,000.00	0.00	520,193.44	3,412.07	193.44	100.037	0.17%



CALOPTIMA - OPERATING FUND

Portfolio 2480

Portfolio Positions

as of June 30, 2019

Currency: USD

Units	Security	Identifier	Original Principal Cost Purchased	Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio
Total for Agencies			520,000.00	520,193.44	193.44		0.17%
			0.00	3,412.07			
Taxable Muni							
1,890,000.000	CA EARTHQUAKE AUTH TAXABLE	13017HAE6	1,890,000.00	1,889,837.46	(162.54)	99.991	0.62%
	Mat: 7/1/19 Cpn: 2.81%		22,531.16	26,507.25			
	Moody's: A3 S&P: Fitch: A						
	Tr Date: 5/31/19 St Date: 6/4/19						
280,000.000	CA UNIVERSITY OF CALIFORNIA TAXABLE	91412GSB2	277,902.80	279,980.68	2,077.88	99.993	0.09%
	Mat: 7/1/19 Cpn: 1.80%		2,458.52	2,514.40			
	Moody's: Aa2 S&P: AA Fitch: AA						
	Tr Date: 6/25/18 St Date: 6/27/18						
2,000,000.000	CA LOS ANGELES MTA CP TXB	54531HAA5	2,000,000.00	2,000,164.00	164.00	100.008	0.65%
	Mat: 7/9/19 Cpn: 2.54%		0.00	9,324.93			
	Moody's: P-1 S&P: A-1 Fitch:						
	Tr Date: 4/25/19 St Date: 4/25/19						
2,000,000.000	CA STATE GO/ULT CP TXB	13068BEC7	2,000,000.00	2,000,374.00	374.00	100.019	0.65%
	Mat: 7/23/19 Cpn: 2.70%		0.00	9,172.60			
	Moody's: P-1 S&P: A-1+ Fitch: F1+						
	Tr Date: 4/30/19 St Date: 4/30/19						
1,000,000.000	CA NORWALK - LA MIRADA USD GO/ULT TXB	669096SU4	999,370.00	1,000,039.00	669.00	100.004	0.33%
	Mat: 8/1/19 Cpn: 2.53%		2,389.44	10,541.67			
	Moody's: Aa3 S&P: Fitch:						
	Tr Date: 3/1/19 St Date: 3/5/19						
1,000,000.000	CA HESPERIA REDEV AGY SUCCESSOR TXB	42806KAN3	997,190.00	999,779.00	2,589.00	99.978	0.33%
	Mat: 9/1/19 Cpn: 2.50%		0.00	8,333.33			
	Moody's: S&P: AA Fitch:						
	Tr Date: 9/12/18 St Date: 10/2/18						
1,778,000.000	CA SAN JOSE FIN AUTH CP TXB	79815QFG1	1,778,000.00	1,778,428.50	428.50	100.024	0.58%
	Mat: 10/10/19 Cpn: 2.40%		0.00	2,104.37			
	Moody's: P-1 S&P: A-1+ Fitch: F1+						
	Tr Date: 6/13/19 St Date: 6/13/19						
1,430,000.000	CT STATE OF CONNECTICUT GO/ULT-TXBL	20772KGJ2	1,436,506.50	1,436,864.00	357.50	100.480	0.47%
	Mat: 4/15/20 Cpn: 3.13%		0.00	9,930.56			
	Moody's: A1 S&P: A Fitch: A+						
	Tr Date: 3/29/19 St Date: 4/11/19						
1,000,000.000	CA SAN JOSE REDEV AGY TAB TXB	798170AC0	995,250.00	999,719.00	4,469.00	99.972	0.33%
	Mat: 8/1/20 Cpn: 2.26%		4,016.00	9,412.50			
	Moody's: S&P: AA Fitch: AA						
	Tr Date: 4/3/19 St Date: 4/5/19						



Portfolio Positions

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Currency: USD

Units	Security	Identifier	Original Principal Cost Purchased	Accrued	Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio
944,683.808	CA DEPT WTR RESOURCES-PWR SUPPLY TXB Mat: 5/1/21 Cpn: 1.71% Moody's: Aa1 S&P: AA Fitch: AA+ Tr Date: 6/18/19 St Date: 6/20/19	13066YTY5	937,573.15	2,202.61	938,921.24	1,348.09	99.390	0.30%
Total for Taxable Muni			13,311,792.45	33,597.73	13,324,106.88	12,314.43		4.34%
Credit								
3,750,000.000	PNC BANK Mat: 7/2/19 Cpn: 2.25% Moody's: A2 S&P: A Fitch: A+ Tr Date: 7/18/18 St Date: 7/20/18	69353RDD7	3,734,962.50	4,218.75	3,750,000.00	15,037.50	100.000	1.23%
700,000.000	BNY MELLON Mat: 9/11/19 Cpn: 2.30% Moody's: A1 S&P: A Fitch: AA- Tr Date: 7/16/18 St Date: 7/18/18	06406HCW7	696,570.00	5,679.72	700,017.50	3,447.50	100.003	0.23%
760,000.000	US BANK CINCINNATI FRN Mat: 10/28/19 Cpn: 3.06% Moody's: A1 S&P: AA- Fitch: AA- Tr Date: 5/30/19 St Date: 6/3/19	90331HMM2	761,299.60	2,327.41	760,954.56	(345.04)	100.126	0.25%
2,000,000.000	KEYBANK Mat: 12/15/19 Cpn: 2.50% Moody's: A3 S&P: A- Fitch: A- Tr Date: 1/25/19 St Date: 1/29/19	49327M2F0	1,993,608.26	6,111.11	2,000,710.00	7,101.74	100.036	0.65%
1,385,000.000	BRANCH BANKING & TRUST FRN Mat: 1/15/20 Cpn: 3.05% Moody's: A1 S&P: A Fitch: A+ Tr Date: 1/23/17 St Date: 1/26/17	07330NAP0	1,385,000.00	0.00	1,387,458.38	2,458.38	100.178	0.45%
2,157,000.000	NATL RURAL UTILITIES Mat: 1/27/20 Cpn: 2.00% Moody's: A1 S&P: A Fitch: A+ Tr Date: 1/23/19 St Date: 1/25/19	637432NC5	2,138,670.55	6,678.95	2,153,214.47	14,543.92	99.825	0.70%
1,985,000.000	MANUFACTURERS & TRADERS TRUST Mat: 2/6/20 Cpn: 2.10% Moody's: A3 S&P: A Fitch: A Tr Date: 1/23/19 St Date: 1/25/19	55279HAJ9	1,969,295.65	19,856.08	1,983,183.73	13,888.08	99.909	0.65%
1,000,000.000	AMERICAN EXPRESS Mat: 3/3/20 Cpn: 2.20% Moody's: A2 S&P: A- Fitch: A Tr Date: 1/23/19 St Date: 1/25/19	0258M0EE5	991,660.00	8,677.78	999,380.00	7,720.00	99.938	0.33%



Portfolio Positions

as of June 30, 2019

Currency: USD

Units	Security	Identifier	Original Principal Cost Purchased	Accrued Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio
1,845,000.000	HUNTINGTON NATL BANK FRN Mat: 3/10/20 Cpn: 2.96% Moody's: A3 S&P: A- Fitch: A- Tr Date: 8/17/17 St Date: 8/22/17	446438RV7	1,855,756.35 6,324.55	1,850,001.80 3,188.93	(5,754.56)	100.271	0.60%
1,230,000.000	GENERAL DYNAMICS FRN Mat: 5/11/20 Cpn: 2.83% Moody's: A2 S&P: A+ Fitch: WD Tr Date: 5/8/18 St Date: 5/11/18	369550BB3	1,230,000.00 0.00	1,233,014.73 4,729.94	3,014.73	100.245	0.40%
1,380,000.000	VERIZON COMMUNICATIONS FRN Mat: 5/22/20 Cpn: 3.07% Moody's: Baa1 S&P: BBB+ Fitch: A- Tr Date: 5/11/17 St Date: 5/22/17	92343VDZ4	1,380,000.00 0.00	1,387,606.56 4,712.52	7,606.56	100.551	0.45%
405,000.000	CITIZENS BANK FRN Mat: 5/26/20 Cpn: 3.22% Moody's: Baa1 S&P: A- Fitch: BBB+ Tr Date: 5/22/17 St Date: 5/26/17	17401QAK7	405,000.00 0.00	406,176.93 1,266.40	1,176.93	100.291	0.13%
650,000.000	GOLDMAN SACHS FRN Mat: 9/15/20 Cpn: 3.61% Moody's: A3 S&P: BBB+ Fitch: A Tr Date: 3/16/18 St Date: 3/20/18	38141GVQ4	660,900.50 300.13	656,551.35 912.59	(4,349.15)	101.008	0.21%
1,190,000.000	COMCAST FRN Mat: 10/1/20 Cpn: 2.92% Moody's: A3 S&P: A- Fitch: A- Tr Date: 10/2/18 St Date: 10/5/18	20030NCV1	1,190,000.00 0.00	1,192,413.32 8,788.79	2,413.32	100.203	0.39%
1,325,000.000	GOLDMAN SACHS FRN Mat: 12/27/20 Cpn: 3.04% Moody's: A3 S&P: BBB+ Fitch: A Tr Date: 3/22/17 St Date: 3/27/17	38141GWF7	1,325,000.00 0.00	1,328,472.83 447.74	3,472.83	100.262	0.43%
1,585,000.000	AVALONBAY COMMUNITIES FRN Mat: 1/15/21 Cpn: 3.03% Moody's: A3 S&P: A- Fitch: Tr Date: 11/8/17 St Date: 11/15/17	05348EBD0	1,585,000.00 0.00	1,585,681.55 10,261.10	681.55	100.043	0.52%
645,000.000	BB&T CORPORATION FRN Mat: 2/1/21 Cpn: 2.80% Moody's: A2 S&P: A- Fitch: A+ Tr Date: 10/23/17 St Date: 10/26/17	05531FBA0	645,000.00 0.00	644,251.16 3,059.07	(748.85)	99.884	0.21%
1,330,000.000	JPMORGAN CHASE FRN Mat: 3/9/21 Cpn: 3.00% Moody's: A2 S&P: A- Fitch: AA- Tr Date: 3/2/17 St Date: 3/9/17	46647PAC0	1,330,000.00 0.00	1,332,358.09 2,329.83	2,358.09	100.177	0.43%



Portfolio Positions

as of June 30, 2019

Currency: USD

Units	Security	Identifier	Original Principal Cost Purchased	Accrued Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio
1,010,000.000	CITIBANK FRN Mat: 3/13/21 Cpn: 3.10% Moody's: Aa3 S&P: A+ Fitch: A+ Tr Date: 3/7/19 St Date: 3/13/19	17325FAW8	1,010,000.00 0.00	1,010,627.21 1,510.79	627.21	100.062	0.33%
1,000,000.000	REGIONS BANK FRN Mat: 4/1/21 Cpn: 2.97% Moody's: Baa2 S&P: A- Fitch: BBB+ Tr Date: 1/23/18 St Date: 1/26/18	759187CC9	1,000,000.00 0.00	997,787.00 7,511.92	(2,213.00)	99.779	0.33%
1,235,000.000	US BANK CINCINNATI FRN Mat: 4/26/21 Cpn: 2.91% Moody's: A1 S&P: AA- Fitch: AA- Tr Date: 4/24/18 St Date: 4/26/18	90331HNQ2	1,235,000.00 0.00	1,237,202.01 6,580.53	2,202.01	100.178	0.40%
1,300,000.000	PACCAR FINANCIAL FRN Mat: 5/10/21 Cpn: 2.81% Moody's: A1 S&P: A+ Fitch: Tr Date: 5/7/18 St Date: 5/10/18	69371RP34	1,300,000.00 0.00	1,302,146.30 5,267.41	2,146.30	100.165	0.42%
610,000.000	IBM Mat: 5/13/21 Cpn: 2.80% Moody's: A1 S&P: A Fitch: Au Tr Date: 5/8/19 St Date: 5/15/19	459200JW2	609,963.40 0.00	617,640.25 2,182.44	7,676.85	101.253	0.20%
850,000.000	AMERICAN EXPRESS FRN Mat: 5/17/21 Cpn: 3.05% Moody's: A3 S&P: BBB+ Fitch: A Tr Date: 5/14/18 St Date: 5/17/18	025816BV0	850,000.00 0.00	853,491.80 3,240.76	3,491.80	100.411	0.28%
1,000,000.000	BANK OF AMERICA FRN Mat: 5/24/21 Cpn: 2.87% Moody's: Aa2 S&P: A+ Fitch: AA- Tr Date: 5/20/19 St Date: 5/24/19	06050TML3	1,000,000.00 0.00	1,001,139.00 3,034.46	1,139.00	100.114	0.33%
410,000.000	GOLDMAN SACHS FRN Mat: 5/24/21 Cpn: 3.00% Moody's: A1 S&P: A+ Fitch: A+ Tr Date: 5/20/19 St Date: 5/24/19	3814267X7	410,000.00 0.00	410,478.47 1,298.33	478.47	100.117	0.13%
1,790,000.000	BNY MELLON FRN Mat: 6/4/21 Cpn: 2.78% Moody's: Aa2 S&P: AA- Fitch: AA Tr Date: 5/30/19 St Date: 6/4/19	06405LAB7	1,790,000.00 0.00	1,793,291.81 3,735.51	3,291.81	100.184	0.58%
315,000.000	JOHN DEERE CAPITAL CORP FRN Mat: 6/7/21 Cpn: 2.87% Moody's: A2 S&P: A Fitch: A Tr Date: 6/4/19 St Date: 6/7/19	24422EUW7	315,000.00 0.00	316,074.78 603.04	1,074.78	100.341	0.10%



Portfolio Positions

as of June 30, 2019

Currency: USD

Units	Security	Identifier	Original Principal Cost Purchased	Accrued	Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio
1,000,000.000	PNC BANK FRN Mat: 6/10/21 Cpn: 2.76% Moody's: A2 S&P: A Fitch: A+ Tr Date: 6/5/19 St Date: 6/10/19	69353RFN3	1,000,000.00	0.00	1,000,712.00 1,611.75	712.00	100.071	0.32%
1,350,000.000	CATERPILLAR FINANCIAL FRN Mat: 9/7/21 Cpn: 2.75% Moody's: A3 S&P: A Fitch: A Tr Date: 9/4/18 St Date: 9/7/18	14913Q2P3	1,350,000.00	0.00	1,350,730.35 2,476.47	730.35	100.054	0.44%
1,250,000.000	JOHN DEERE CAPITAL CORP FRN Mat: 9/10/21 Cpn: 2.71% Moody's: A2 S&P: A Fitch: A Tr Date: 9/5/18 St Date: 9/10/18	24422EUJ6	1,250,000.00	0.00	1,249,183.75 1,978.23	(816.25)	99.935	0.41%
1,785,000.000	BANK OF AMERICA FRN Mat: 10/1/21 Cpn: 3.24% Moody's: A2 S&P: A- Fitch: A+ Tr Date: 9/13/17 St Date: 9/18/17	06051GGU7	1,785,000.00	0.00	1,790,040.84 14,627.05	5,040.84	100.282	0.58%
660,000.000	COMCAST FRN Mat: 10/1/21 Cpn: 3.03% Moody's: A3 S&P: A- Fitch: A- Tr Date: 10/2/18 St Date: 10/5/18	20030NCW9	660,000.00	0.00	662,804.34 5,057.97	2,804.34	100.425	0.22%
1,185,000.000	WELLS FARGO FRN Mat: 10/22/21 Cpn: 3.10% Moody's: Aa2 S&P: A+ Fitch: AA- Tr Date: 10/16/18 St Date: 10/23/18	94988J5U7	1,185,000.00	0.00	1,186,896.00 7,044.28	1,896.00	100.160	0.39%
1,215,000.000	TD AMERITRADE FRN Mat: 11/1/21 Cpn: 3.01% Moody's: A2 S&P: A Fitch: Tr Date: 10/30/18 St Date: 11/1/18	87236YAG3	1,215,000.00	0.00	1,217,366.82 6,194.78	2,366.82	100.195	0.40%
377,000.000	MORGAN STANLEY FRN Mat: 1/20/22 Cpn: 3.77% Moody's: A3 S&P: BBB+ Fitch: A Tr Date: 1/17/17 St Date: 1/20/17	61746BEE2	377,000.00	0.00	380,994.32 2,764.72	3,994.32	101.060	0.12%
552,000.000	WELLS FARGO FRN Mat: 2/11/22 Cpn: 3.47% Moody's: A2 S&P: A- Fitch: A+ Tr Date: 10/3/17 St Date: 10/5/17	949746SP7	557,944.56	1,027.10	555,342.91 2,603.56	(2,601.65)	100.606	0.18%
1,330,000.000	CAPITAL ONE FINL FRN Mat: 3/9/22 Cpn: 3.40% Moody's: Baa1 S&P: BBB Fitch: A- Tr Date: 3/6/17 St Date: 3/9/17	14040HBM6	1,330,000.00	0.00	1,341,299.68 2,640.16	11,299.68	100.850	0.44%



Portfolio Positions

as of June 30, 2019

Currency: USD

Units	Security	Identifier	Original Principal Cost Purchased	Accrued	Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio
1,325,000.000	CITIGROUP FRN Mat: 4/25/22 Cpn: 3.54% Moody's: A3 S&P: BBB+ Fitch: A Tr Date: 4/18/17 St Date: 4/25/17	172967LH2	1,325,000.00	0.00	1,337,461.63 8,730.16	12,461.63	100.941	0.44%
1,300,000.000	UNITED PARCEL SERVICE FRN Mat: 5/16/22 Cpn: 2.90% Moody's: A1 S&P: A+ Fitch: Tr Date: 8/17/17 St Date: 8/22/17	911312BB1	1,306,617.00	367.07	1,306,776.90 4,824.70	159.90	100.521	0.42%
1,000,000.000	WELLS FARGO FRN Mat: 5/27/22 Cpn: 3.14% Moody's: Aa2 S&P: A+ Fitch: AA- Tr Date: 5/20/19 St Date: 5/28/19	94988J5W3	1,000,000.00	0.00	1,002,401.00 2,966.15	2,401.00	100.240	0.33%
955,000.000	MORGAN STANLEY FRN Mat: 6/10/22 Cpn: 3.24% Moody's: A3 S&P: BBB+ Fitch: A Tr Date: 6/5/19 St Date: 6/10/19	6174468H5	955,000.00	0.00	957,233.75 1,806.99	2,233.75	100.234	0.31%
1,240,000.000	JPMORGAN CHASE FRN Mat: 6/18/22 Cpn: 3.01% Moody's: A2 S&P: A- Fitch: AA- Tr Date: 6/11/18 St Date: 6/18/18	46647PAT3	1,240,000.00	0.00	1,242,608.96 1,348.71	2,608.96	100.210	0.40%
Total for Credit			51,334,248.37	61,568.65	51,473,178.79	138,930.42		16.75%

Mortgage-Backed

999,646.996	NGN 2011-R1 1A 1MOFRN NCUA GNTD Mat: 1/8/20 Cpn: 2.87% Moody's: Aaa S&P: AA+ Fitch: AAA Tr Date: 1/22/19 St Date: 1/24/19	62888YAA0	1,000,349.87	1,319.78	1,001,955.18 1,911.66	1,605.31	100.231	0.33%
3,030,000.000	FMPRE 2017-KT01 A 1MOFRN CMBS Mat: 2/25/20 Cpn: 2.72% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 1/31/17 St Date: 2/16/17	30258EAA3	3,030,000.00	0.00	3,029,821.23 1,375.43	(178.77)	99.994	0.98%
1,748,639.618	NGN 2011-R3 1A 1MO FRN NCUA GNTD Mat: 3/11/20 Cpn: 2.81% Moody's: Aaa S&P: AA+ Fitch: AAA Tr Date: 5/18/15 St Date: 5/21/15	62889EAA3	1,756,322.18	267.29	1,751,920.07 2,596.45	(4,402.11)	100.188	0.57%
801,112.200	NGN 2010-R1 1A 1MOFRN NCUA GNTD Mat: 10/7/20 Cpn: 2.87% Moody's: Aaa S&P: AA+ Fitch: AAA Tr Date: 6/10/19 St Date: 6/12/19	62888VAA6	802,363.94	319.17	802,397.99 1,531.99	34.05	100.161	0.26%



Portfolio Positions

as of June 30, 2019

Currency: USD

Units	Security	Identifier	Original Principal Cost Purchased	Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio
6,431,507.394	NGN 2010-R3 2A 1MOFRN NCUA GNTD Mat: 12/8/20 Cpn: 2.98% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 10/17/16 St Date: 10/20/16	62888WAB2	6,453,421.09 4,656.64	6,453,503.15 12,770.83	82.06	100.342	2.09%
443,584.971	FHMS KI01 A CMBS 1MOFRN Mat: 9/25/22 Cpn: 2.59% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 3/19/18 St Date: 3/22/18	3137FEC81	443,792.90 793.14	442,733.29 191.52	(1,059.62)	99.808	0.14%
797,077.995	FHMS KI02 A 1MOFRN CMBS Mat: 2/25/23 Cpn: 2.63% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 8/1/18 St Date: 8/14/18	3137FGZN8	797,077.99 0.00	795,684.70 349.45	(1,393.29)	99.825	0.26%
1,706,923.891	FHMS KI03 A 1MOFRN CMBS Mat: 2/25/23 Cpn: 2.68% Moody's: Aaa S&P: AA+u Fitch: AAA Tr Date: 10/23/18 St Date: 10/31/18	3137FJXN4	1,706,923.89 0.00	1,705,348.40 762.57	(1,575.49)	99.908	0.55%
Total for Mortgage-Backed			15,990,251.87 7,356.02	15,983,364.00 21,489.90	(6,887.87)		5.18%
Asset-Backed							
26,877.513	NISSAN 2017-B A2A LEASE Mat: 12/16/19 Cpn: 1.83% Moody's: Aaa S&P: Fitch: AAA Tr Date: 2/13/19 St Date: 2/15/19	65479BAB6	26,817.67 0.00	26,867.14 21.86	49.47	99.961	0.01%
288,364.332	MERCEDES 2019-A A1 LEASE Mat: 2/18/20 Cpn: 2.74% Moody's: P-1 S&P: A-1+ Fitch: Tr Date: 1/23/19 St Date: 1/30/19	58772TAA8	288,364.33 0.00	288,399.80 307.65	35.47	100.012	0.09%
805,433.603	NISSAN 2019-A A1 CAR Mat: 2/18/20 Cpn: 2.71% Moody's: P-1 S&P: Fitch: F1+ Tr Date: 2/5/19 St Date: 2/13/19	65479KAA8	805,433.60 0.00	805,647.04 848.17	213.44	100.027	0.26%
125,284.130	DRIVE 2019-2 A1 CAR Mat: 3/16/20 Cpn: 2.65% Moody's: P-1 S&P: A-1+ Fitch: Tr Date: 3/11/19 St Date: 3/20/19	26208RAA3	125,284.13 0.00	125,299.92 129.03	15.79	100.013	0.04%
1,062,648.376	JOHN DEERE 2019-A A1 EQP Mat: 3/16/20 Cpn: 2.63% Moody's: P-1 S&P: Fitch: F1+ Tr Date: 3/5/19 St Date: 3/13/19	47789JAA4	1,062,648.38 0.00	1,062,942.73 1,087.53	294.35	100.028	0.34%



CALOPTIMA - OPERATING FUND

Portfolio 2480

Portfolio Positions

as of June 30, 2019

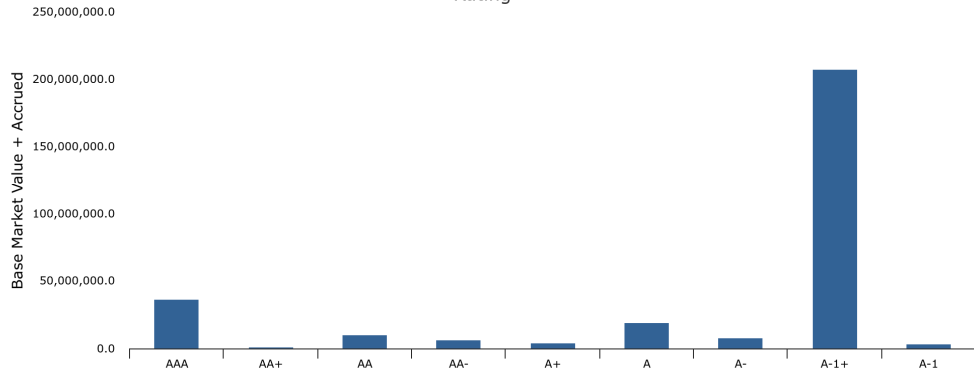
Currency: USD

Units	Security	Identifier	Original Principal Cost Purchased	Accrued	Principal Market Value Accrued Income	Gain / (Loss) from Cost	Market Price	Percent of Portfolio
684,973.639	MERCEDES 2018-A A2 LEASE Mat: 4/15/20 Cpn: 2.20% Moody's: S&P: AAA Fitch: AAA Tr Date: 2/6/19 St Date: 2/8/19	58772QAB2	684,117.42	746.68	684,885.96	768.54	99.987	0.22%
1,951,574.106	NISSAN 2017-A A3 LEASE Mat: 4/15/20 Cpn: 1.91% Moody's: Aaa S&P: Fitch: AAA Tr Date: 2/4/19 St Date: 2/6/19	65479AAD4	1,946,528.36	2,391.40	1,950,598.32	4,069.96	99.950	0.63%
867,421.284	FIFTH THIRD 2019-1 A1 CAR Mat: 5/15/20 Cpn: 2.58% Moody's: P-1 S&P: A-1+ Fitch: Tr Date: 4/30/19 St Date: 5/8/19	31680YAA5	867,421.28	0.00	868,669.50	1,248.22	100.144	0.28%
161,850.229	BMW 2017-1 A3 LEASE Mat: 5/20/20 Cpn: 1.98% Moody's: Aaa S&P: Fitch: AAA Tr Date: 3/12/19 St Date: 3/14/19	055657AC4	161,591.02	213.64	161,775.29	184.28	99.954	0.05%
837,076.263	TOYOTA 2018-A A2B CAR 1MOFRN Mat: 10/15/20 Cpn: 2.46% Moody's: Aaa S&P: AAA Fitch: Tr Date: 1/25/19 St Date: 1/29/19	89238BAC6	836,749.27	839.52	836,996.74	247.47	99.991	0.27%
1,300,000.000	BMW 2019-1 A2 LEASE Mat: 3/22/21 Cpn: 2.79% Moody's: Aaa S&P: AAA Fitch: Tr Date: 3/12/19 St Date: 3/20/19	05586VAB8	1,299,965.55	0.00	1,304,271.80	4,306.25	100.329	0.42%
2,000,000.000	HARLEY 2019-A A2 CYCLE Mat: 5/15/22 Cpn: 2.37% Moody's: Aaa S&P: Fitch: AAA Tr Date: 6/19/19 St Date: 6/26/19	41284WAB6	1,999,975.00	0.00	2,002,460.00	2,485.00	100.123	0.65%
Total for Asset-Backed			10,104,896.01	4,191.24	10,118,814.24	13,918.23		3.28%
Grand Total			307,316,267.06	217,112.16	307,623,269.34	307,002.27		100.00%



Report: Credit Rating
 Account: WC-CalOptima (66881)
 As of: 06/30/2019
 Base Currency: USD

Rating



AAA

Identifier	Description	Ending Base Current Units	Ending Effective Maturity	Ending Final Maturity	Security Type	Rating	Moody's	S&P	Fitch	Base Net Market Unrealized Gain/Loss	Base Accrued Balance	% of Base Market Value + Accrued	Base Market Value + Accrued
05584PAD9	BMWLT 172 A3	2,861,479.22	11/12/2019	02/20/2020	ABS	AAA	Aaa	NA	AAA	2,133.83	1,809.89	0.96%	2,859,219.80
3133EFLA3	FEDERAL FARM CREDIT BANKS FUNDING CORP	1,000,000.00	10/22/2019	10/22/2019	AGCY BOND	AAA	Aaa	AA+	AAA	2,217.75	2,376.67	0.33%	1,000,062.67
3134GABN3	FEDERAL HOME LOAN MORTGAGE CORP	3,000,000.00	08/23/2019	08/23/2019	AGCY BOND	AAA	Aaa	AA+	AAA	1,486.18	13,866.67	1.01%	3,009,582.67
3137EADR7	FREDDIE MAC	3,000,000.00	05/01/2020	05/01/2020	AGCY BOND	AAA	Aaa	AA+	AAA	5,298.64	6,875.00	1.00%	2,989,745.00
316175108	FIDELITY IMM.GOVT I	689,636.30	06/30/2019	06/30/2019	MMFUND	AAA	Aaa	AAAm	AAA	0.00	0.00	0.23%	689,636.30
43815HAB3	HAROT 183 A2	1,836,056.85	10/28/2019	12/21/2020	ABS	AAA	Aaa	NA	AAA	2,246.58	1,361.74	0.62%	1,839,713.11
43815HAB3	HAROT 183 A2	250,927.77	10/28/2019	12/21/2020	ABS	AAA	Aaa	NA	AAA	293.11	186.10	0.08%	251,427.46
4581X0BG2	INTER-AMERICAN DEVELOPMENT BANK	1,750,000.00	09/17/2019	09/17/2019	SUPRANATIONAL	AAA	Aaa	NA	AAA	2,871.45	19,590.28	0.59%	1,776,564.03
4581X0BL1	INTER-AMERICAN DEVELOPMENT BANK	2,000,000.00	02/14/2020	02/14/2020	SUPRANATIONAL	AAA	Aaa	AAA	AAA	5,835.32	28,847.22	0.69%	2,049,647.22
4581X0CH9	INTER-AMERICAN DEVELOPMENT BANK	1,250,000.00	10/15/2019	10/15/2019	SUPRANATIONAL	AAA	NR	AAA	AAA	1,605.12	4,618.06	0.42%	1,252,518.06
459058DW0	INTERNATL BANK FOR RECONSTRUCTION AND DEVLMTNT	5,000,000.00	10/07/2019	10/07/2019	SUPRANATIONAL	AAA	Aaa	AAA	AAA	9,050.47	21,886.67	1.68%	5,018,316.67
58772QAD8	MBALT 18A A3	2,000,000.00	04/15/2020	02/16/2021	ABS	AAA	NA	AAA	AAA	3,510.16	2,142.22	0.67%	2,002,888.22
58772QAD8	MBALT 18A A3	1,750,000.00	04/15/2020	02/16/2021	ABS	AAA	NA	AAA	AAA	1,255.31	1,874.44	0.59%	1,752,527.19
65478GAC4	NAROT 17B A2B	9,683.73	07/15/2019	05/15/2020	ABS	AAA	Aaa	NA	AAA	0.17	9.39	0.00%	9,693.30
65479BAD2	NALT 17B A3	3,107,000.00	09/11/2019	09/15/2020	ABS	AAA	Aaa	NA	AAA	3,552.65	2,830.82	1.04%	3,108,296.27
89238KAC6	TAOT 17D A2B	424,343.05	08/09/2019	08/17/2020	ABS	AAA	Aaa	AAA	NA	(172.09)	403.36	0.14%	424,706.48
89238TAB9	TAOT 18B A2A	733,404.96	10/21/2019	03/15/2021	ABS	AAA	Aaa	AAA	NA	706.93	860.53	0.25%	734,804.03
912828P87	UNITED STATES TREASURY	7,000,000.00	02/28/2021	02/28/2021	US GOV	AAA	Aaa	AA+	AAA	7,618.87	26,321.33	2.32%	6,947,298.33
92868LAC5	VALET 181 A2B	335,948.91	12/11/2019	07/20/2021	ABS	AAA	NA	AAA	AAA	51.74	263.08	0.11%	336,263.73
CCYUSD	Cash	1,026,788.81	06/30/2019	06/30/2019	CASH	AAA	Aaa	AAA	AAA	0.00	0.00	0.34%	1,026,788.81
CCYUSD	Payable	(2,553,776.39)	06/30/2019	06/30/2019	CASH	AAA	Aaa	AAA	AAA	0.00	0.00	-0.85%	(2,553,776.39)
CCYUSD	Receivable	71,716.03	06/30/2019	06/30/2019	CASH	AAA	Aaa	AAA	AAA	0.00	0.00	0.02%	71,716.03
---	---	36,543,209.25	02/25/2020	06/18/2020	---	AAA	Aaa	AA+	AAA	49,562.17	136,123.47	12.24%	36,597,638.98

AA+

Identifier	Description	Ending Base Current Units	Ending Effective Maturity	Ending Final Maturity	Security Type	Rating	Moody's	S&P	Fitch	Base Net Market Unrealized Gain/Loss	Base Accrued Balance	% of Base Market Value + Accrued	Base Market Value + Accrued
419792YJ9	HAWAII ST	1,250,000.00	01/01/2020	01/01/2020	MUNI	AA+	Aa1	AA+	AA	2,562.50	11,961.81	0.42%	1,264,524.31
419792YJ9	HAWAII ST	1,250,000.00	01/01/2020	01/01/2020	MUNI	AA+	Aa1	AA+	AA	2,562.50	11,961.81	0.42%	1,264,524.31

AA

Identifier	Description	Ending Base Current Units	Ending Effective Maturity	Ending Final Maturity	Security Type	Rating	Moody's	S&P	Fitch	Base Net Market		% of Base Market Value + Accrued	Base Market Value + Accrued
										Unrealized Gain/Loss	Base Accrued Balance		
06405LAB7	BANK OF NEW YORK MELLON	1,125,000.00	06/04/2020	06/04/2021	CORP	AA	Aa2	AA-	AA	633.38	2,347.73	0.38%	1,127,981.11
48125LRP9	JPMORGAN CHASE BANK NA	2,000,000.00	04/26/2020	04/26/2021	CORP	AA	Aa2	A+	AA	1,125.05	10,730.06	0.67%	2,013,186.06
544351MK2	LOS ANGELES CALIF	3,615,000.00	09/01/2019	09/01/2019	MUNI	AA	Aa2	AA	NA	886.62	48,200.00	1.23%	3,672,815.90
802385PV0	SANTA MONICA CALIF CMNTY COLLEGE DIST	2,000,000.00	08/01/2019	08/01/2019	MUNI	AA	Aa2	AA+	NA	742.26	13,600.00	0.67%	2,012,700.00
802385PV0	SANTA MONICA CALIF CMNTY COLLEGE DIST	1,975,000.00	08/01/2019	08/01/2019	MUNI	AA	Aa2	AA+	NA	732.98	13,430.00	0.66%	1,987,541.25
---	---	10,715,000.00	11/02/2019	02/16/2020	---	AA	Aa2	AA	AA	4,120.30	88,307.79	3.62%	10,814,224.32

AA-

Identifier	Description	Ending Base Current Units	Ending Effective Maturity	Ending Final Maturity	Security Type	Rating	Moody's	S&P	Fitch	Base Net Market		% of Base Market Value + Accrued	Base Market Value + Accrued
										Unrealized Gain/Loss	Base Accrued Balance		
06050TMH2	BANK OF AMERICA NA	1,000,000.00	08/28/2019	08/28/2020	CORP	AA-	Aa2	A+	AA-	302.00	2,616.71	0.34%	1,002,918.71
842477TU5	SOUTHERN CALIF PUB PWR AUTH TRANSMISSION PROJ REV	1,000,000.00	07/01/2019	07/01/2019	MUNI	AA-	NA	AA-	AA	0.00	9,145.00	0.34%	1,009,145.00
90331HNB5	U.S. BANK NATIONAL ASSOCIATION (CINCINNATI BRANCH)	3,700,000.00	01/24/2020	01/24/2020	CORP	AA-	A1	AA-	AA-	7,141.30	32,272.22	1.25%	3,727,747.12
90331HNU3	US BANK NA	1,250,000.00	06/24/2020	07/24/2020	CORP	AA-	A1	AA-	AA-	3,757.74	16,626.74	0.43%	1,277,055.49
---	---	6,950,000.00	01/01/2020	02/27/2020	---	AA-	A1	AA-	AA-	11,201.04	60,660.66	2.35%	7,016,866.31

A+

Identifier	Description	Ending Base Current Units	Ending Effective Maturity	Ending Final Maturity	Security Type	Rating	Moody's	S&P	Fitch	Base Net Market		% of Base Market Value + Accrued	Base Market Value + Accrued
										Unrealized Gain/Loss	Base Accrued Balance		
07330NAN5	BRANCH BANKING AND TRUST CO	3,000,000.00	01/15/2020	01/15/2020	CORP	A+	A1	A	A+	2,646.53	29,050.00	1.01%	3,024,631.00
857477AS2	STATE STREET CORP	1,250,000.00	08/18/2020	08/18/2020	CORP	A+	A1	A	AA-	4,836.72	11,776.04	0.42%	1,267,331.04
---	---	4,250,000.00	03/19/2020	03/19/2020	CORP	A+	A1	A	A+	7,483.26	40,826.04	1.44%	4,291,962.04

A

Identifier	Description	Ending Base Current Units	Ending Effective Maturity	Ending Final Maturity	Security Type	Rating	Moody's	S&P	Fitch	Base Net Market		% of Base Market Value + Accrued	Base Market Value + Accrued
										Unrealized Gain/Loss	Base Accrued Balance		
0258M0DY2	AMERICAN EXPRESS CREDIT CORP	2,000,000.00	08/14/2020	09/14/2020	CORP	A	A2	A-	A	(245.79)	3,284.66	0.68%	2,021,298.66
02665WB19	AMERICAN HONDA FINANCE CORP	2,000,000.00	09/09/2021	09/09/2021	CORP	A	A2	A	NA	(1,001.17)	3,573.50	0.67%	2,016,531.50
14913Q2P3	CATERPILLAR FINANCIAL SERVICES CORP	1,000,000.00	09/07/2021	09/07/2021	CORP	A	A3	A	A	230.00	1,834.42	0.34%	1,002,064.42
14913Q2U2	CATERPILLAR FINANCIAL SERVICES CORP	1,000,000.00	08/26/2020	08/26/2020	CORP	A	A3	A	A	1,442.00	2,616.71	0.34%	1,004,058.71
24422EUF4	JOHN DEERE CAPITAL CORP	399,000.00	01/07/2020	01/07/2020	CORP	A	A2	A	A	(94.59)	2,577.59	0.13%	401,801.83
24422EUF4	JOHN DEERE CAPITAL CORP	1,000,000.00	01/07/2020	01/07/2020	CORP	A	A2	A	A	(237.07)	6,460.14	0.34%	1,007,022.14
24422EUL1	JOHN DEERE CAPITAL CORP	2,000,000.00	10/09/2020	10/09/2020	CORP	A	A2	A	A	1,370.00	12,736.49	0.67%	2,014,106.49
26442CAJ3	DUKE ENERGY CAROLINAS LLC	2,500,000.00	06/15/2020	06/15/2020	CORP	A	Aa2	A	WR	(845.00)	5,076.39	0.85%	2,552,931.39
369550BF4	GENERAL DYNAMICS CORP	2,250,000.00	05/11/2021	05/11/2021	CORP	A	A2	A+	WR	(3,117.08)	8,927.95	0.76%	2,267,374.45
40428HPN6	HSBC USA INC (NEW)	1,555,000.00	11/13/2019	11/13/2019	CORP	A	A2	A	AA-	3,187.17	4,924.17	0.52%	1,559,496.54
69353RDZ8	PNC BANK NA	470,000.00	09/18/2019	10/18/2019	CORP	A	A2	A	A+	688.36	2,287.33	0.16%	472,299.55
69353RDZ8	PNC BANK NA	1,000,000.00	09/18/2019	10/18/2019	CORP	A	A2	A	A+	1,206.02	4,866.67	0.34%	1,004,892.67
808513AV7	CHARLES SCHWAB CORP	2,000,000.00	04/21/2021	05/21/2021	CORP	A	A2	A	A	(2,313.63)	6,473.17	0.67%	2,009,033.17
---	---	19,174,000.00	10/07/2020	10/15/2020	CORP	A	A2	A	A	269.24	65,639.19	6.46%	19,332,911.52

A-

Identifier	Description	Ending Base Current Units	Ending Effective Maturity	Ending Final Maturity	Security Type	Rating	Moody's	S&P	Fitch	Base Net Market		% of Base Market Value + Accrued	Base Market Value + Accrued
										Unrealized Gain/Loss	Base Accrued Balance		
020002BE0	ALLSTATE CORP	800,000.00	03/29/2021	03/29/2021	CORP	A-	A3	A-	BBB+	1,420.80	183.99	0.27%	801,604.79
20030NCW9	COMCAST CORP	1,600,000.00	10/01/2021	10/01/2021	CORP	A-	A3	A-	A-	6,256.00	12,261.74	0.54%	1,618,517.74
38141GWF7	GOLDMAN SACHS GROUP INC	2,500,000.00	12/27/2019	12/27/2020	CORP	A-	A3	BBB+	A	(1,266.12)	844.79	0.84%	2,505,292.29
61747YJ2	MORGAN STANLEY	1,500,000.00	09/23/2019	09/23/2019	CORP	A-	A3	BBB+	A	1,529.31	22,968.75	0.51%	1,533,372.75
91324PDG4	UNITEDHEALTH GROUP INC	1,500,000.00	06/15/2021	06/15/2021	CORP	A-	A3	A+	A-	703.50	1,557.65	0.50%	1,502,261.15
---	---	7,900,000.00	09/12/2020	01/05/2021	CORP	A-	A3	A-	A-	8,643.50	37,816.92	2.66%	7,961,048.72

A-1+

Identifier	Description	Ending Base Current Units	Ending Effective Maturity	Ending Final Maturity	Security Type	Rating	Moody's	S&P	Fitch	Base Net Market		% of Base Market Value + Accrued	Base Market Value + Accrued
										Unrealized Gain/Loss	Base Accrued Balance		
30229BU88	Exxon Mobil Corporation	8,200,000.00	07/08/2019	07/08/2019	CP	A-1+	P-1	A-1+	NA	(1,587.63)	0.00	2.74%	8,194,729.20
313312KB5	FEDERAL FARM CREDIT BANKS	500,000.00	08/06/2019	08/06/2019	AGCY DISC	A-1+	P-1	A-1+	F1+	178.85	0.00	0.17%	498,895.00
313312MF4	FEDERAL FARM CREDIT BANKS	1,800,000.00	09/27/2019	09/27/2019	AGCY DISC	A-1+	P-1	A-1+	F1+	1,089.29	0.00	0.60%	1,790,496.00
313312NV8	FEDERAL FARM CREDIT BANKS	1,000,000.00	11/04/2019	11/04/2019	AGCY DISC	A-1+	P-1	A-1+	F1+	1,703.47	0.00	0.33%	992,650.00
313384HT9	FEDERAL HOME LOAN BANKS	25,100,000.00	07/05/2019	07/05/2019	AGCY DISC	A-1+	P-1	A-1+	F1+	(43.52)	0.00	8.39%	25,093,875.60
313384HX0	FEDERAL HOME LOAN BANKS	39,000,000.00	07/09/2019	07/09/2019	AGCY DISC	A-1+	P-1	A-1+	F1+	(258.66)	0.00	13.03%	38,980,929.00
313384IQ3	FEDERAL HOME LOAN BANKS	30,000,000.00	07/26/2019	07/26/2019	AGCY DISC	A-1+	P-1	A-1+	F1+	2,646.08	0.00	10.02%	29,954,160.00
313384LA5	FEDERAL HOME LOAN BANKS	5,100,000.00	08/29/2019	08/29/2019	AGCY DISC	A-1+	P-1	A-1+	F1+	(164.10)	0.00	1.70%	5,081,527.80
313384LJ6	FEDERAL HOME LOAN BANKS	20,000,000.00	09/06/2019	09/06/2019	AGCY DISC	A-1+	P-1	A-1+	F1+	6,403.76	0.00	6.66%	19,919,600.00
313384LR8	FEDERAL HOME LOAN BANKS	20,000,000.00	09/13/2019	09/13/2019	AGCY DISC	A-1+	P-1	A-1+	F1+	2,020.76	0.00	6.66%	19,911,200.00
313384LY3	FEDERAL HOME LOAN BANKS	10,000,000.00	09/20/2019	09/20/2019	AGCY DISC	A-1+	P-1	A-1+	F1+	1,254.40	0.00	3.33%	9,951,400.00
313384NX3	FEDERAL HOME LOAN BANKS	500,000.00	11/06/2019	11/06/2019	AGCY DISC	A-1+	P-1	A-1+	F1+	600.75	0.00	0.17%	496,266.50
48306BWB7	Kaiser Foundation Hospitals, Inc.	4,000,000.00	09/11/2019	09/11/2019	CP	A-1+	NA	A-1+	F1+	(2,140.00)	0.00	1.33%	3,978,500.00
67983UU19	Old Line Funding, LLC	5,000,000.00	07/01/2019	07/01/2019	CP	A-1+	NA	A-1+	NA	(989.60)	0.00	1.67%	4,999,010.40
88602UVF4	Thunder Bay Funding, LLC	2,000,000.00	08/15/2019	08/15/2019	CP	A-1+	P-1	A-1+	NA	(29.34)	0.00	0.67%	1,993,770.66
912796VM8	UNITED STATES TREASURY	36,000,000.00	07/23/2019	07/23/2019	T-BILL	A-1+	P-1	A-1+	F1+	1,926.30	0.00	12.02%	35,954,568.00
---	---	208,200,000.00	08/02/2019	08/02/2019	---	A-1+	Aaa	A-1+	AAA	12,610.81	0.00	69.48%	207,791,578.16

A-1

Identifier	Description	Ending Base Current Units	Ending Effective Maturity	Ending Final Maturity	Security Type	Rating	Moody's	S&P	Fitch	Base Net Market		% of Base Market Value + Accrued	Base Market Value + Accrued
										Unrealized Gain/Loss	Base Accrued Balance		
19121BUQ0	The Coca-Cola Company	4,000,000.00	07/24/2019	07/24/2019	CP	A-1	P-1	A-1	F1	111.12	0.00	1.34%	3,993,211.12
19121BUQ0	The Coca-Cola Company	4,000,000.00	07/24/2019	07/24/2019	CP	A-1	P-1	A-1	F1	111.12	0.00	1.34%	3,993,211.12

Summary

Identifier	Description	Ending Base Current Units	Ending Effective Maturity	Ending Final Maturity	Security Type	Rating	Moody's	S&P	Fitch	Base Net Market		% of Base Market Value + Accrued	Base Market Value + Accrued
										Unrealized Gain/Loss	Base Accrued Balance		
---	---	298,982,209.25	10/16/2019	11/08/2019	---	AA+	Aa1	AA+	AA+	96,563.92	441,335.89	100.00%	299,063,965.50

- * Grouped by: Rating
- * Groups Sorted by: Rating
- * Weighted by: Base Market Value + Accrued

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CERTAIN INFORMATION CONTAINED IN THIS REPORT MAY CONSTITUTE “FORWARD-LOOKING STATEMENTS,” WHICH CAN BE IDENTIFIED BY THE USE OF TERMINOLOGY SUCH AS “MAY,” “WILL,” “SHOULD,” “EXPECT,” “AIM,” “ANTICIPATE,” “TARGET,” “PROJECT,” “ESTIMATE,” “INTEND,” “CONTINUE” OR “BELIEVE,” OR THE NEGATIVES THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. ANY FORWARD-LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS OR RESULTS IN THIS PRESENTATION ARE BASED UPON CURRENT ASSUMPTIONS. CHANGES TO ANY ASSUMPTIONS MAY HAVE A MATERIAL IMPACT ON FORWARD-LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS OR RESULTS. ACTUAL RESULTS MAY THEREFORE BE MATERIALLY DIFFERENT FROM ANY FORECASTS, PROJECTIONS, VALUATIONS OR RESULTS IN THIS PRESENTATION.

PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

Credit Risk: Refers to the risk that the issuer of a fixed income security may default (i.e., the issuer will be unable to make timely principal and/or interest payments on the security.)

Duration: Measure of the sensitivity of the price of a bond to a change in its yield to maturity. Duration summarizes, in a single number, the characteristics that cause bond prices to change in response to a change in interest rates. For example, the price of a bond with a duration of three years will rise by approximately 3% for each 1% decrease in its yield to maturity. Conversely, the price will decrease 3% for each 1% increase in the bond's yield. Price changes for two different bonds can be compared using duration. A bond with a duration of six years will exhibit twice the percentage price change of a bond with a three-year duration. The actual calculation of a bond's duration is somewhat complicated, but the idea behind the calculation is straightforward. The first step is to measure the time interval until receipt for each cash flow (coupon and principal payments) from a bond. The second step is to compute a weighted average of these time intervals. Each time interval is measured by the present value of that cash flow. This weighted average is the duration of the bond measured in years.

Information Ratio: This statistic is a measure of the consistency of a portfolio's performance relative to a benchmark. It is calculated by subtracting the benchmark return from the portfolio return (excess return), and dividing the resulting excess return by the standard deviation (volatility) of this excess return. A positive information ratio indicates outperformance versus the benchmark, and the higher the information ratio, the more consistent the outperformance.

Jensen's Alpha: A measure of the average return of a portfolio or investment in excess of what is predicted by its beta or "market" risk. Portfolio Return- [Risk Free Rate+Beta*(market return-Risk Free Rate)].

Market Capitalization: For a firm, market capitalization is the total market value of outstanding common stock. For a portfolio, market capitalization is the sum of the capitalization of each company weighted by the ratio of holdings in that company to total portfolio holdings; thus it is a weighted-average capitalization. Meketa Investment Group considers the largest 65% of the broad domestic equity market as large capitalization, the next 25% of the market as medium capitalization, and the smallest 10% of stocks as small capitalization.

Market Weighted: Stocks in many indices are weighted based on the total market capitalization of the issue. Thus, the individual returns of higher market-capitalization issues will more heavily influence an index's return than the returns of the smaller market-capitalization issues in the index.

Maturity: The date on which a loan, bond, mortgage, or other debt/security becomes due and is to be paid off.

Prepayment Risk: The risk that prepayments will increase (homeowners will prepay all or part of their mortgage) when mortgage interest rates decline; hence, investors' monies will be returned to them in a lower interest rate environment. Also, the risk that prepayments will slow down when mortgage interest rates rise; hence, investors will not have as much money as previously anticipated in a higher interest rate environment. A prepayment is any payment in excess of the scheduled mortgage payment.

Price-Book Value (P/B) Ratio: The current market price of a stock divided by its book value per share. Meketa Investment Group calculates P/B as the current price divided by Compustat's quarterly common equity. Common equity includes common stock, capital surplus, retained earnings, and treasury stock adjusted for both common and nonredeemable preferred stock. Similar to high P/E stocks, stocks with high P/B's tend to be riskier investments.

Price-Earnings (P/E) Ratio: A stock's market price divided by its current or estimated future earnings. Lower P/E ratios often characterize stocks in low growth or mature industries, stocks in groups that have fallen out of favor, or stocks of established blue chip companies with long records of stable earnings and regular dividends. Sometimes a company that has good fundamentals may be viewed unfavorably by the market if it is an industry that is temporarily out of favor. Or a business may have experienced financial problems causing investors to be skeptical about its future. Either of these situations would result in lower relative P/E ratios. Some stocks exhibit above-average sales and earnings growth or expectations for above average growth. Consequently, investors are willing to pay more for these companies' earnings, which results in elevated P/E ratios. In other words, investors will pay more for shares of companies whose profits, in their opinion, are expected to increase faster than average. Because future events are in no way assured, high P/E stocks tend to be riskier and more volatile investments. Meketa Investment Group calculates P/E as the current price divided by the I/B/E/S consensus of twelve-month forecast earnings per share.

Quality Rating: The rank assigned a security by such rating services as Fitch, Moody's, and Standard & Poor's. The rating may be determined by such factors as (1) the likelihood of fulfillment of dividend, income, and principal payment of obligations; (2) the nature and provisions of the issue; and (3) the security's relative position in the event of liquidation of the company. Bonds assigned the top four grades (AAA, AA, A, BBB) are considered investment grade because they are eligible bank investments as determined by the controller of the currency.

Sharpe Ratio: A commonly used measure of risk-adjusted return. It is calculated by subtracting the risk free return (usually three-month Treasury bill) from the portfolio return and dividing the resulting excess return by the portfolio's total risk level (standard deviation). The result is a measure of return per unit of total risk taken. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

Standard Deviation: A measure of the total risk of an asset or a portfolio. Standard deviation measures the dispersion of a set of numbers around a central point (e.g., the average return). If the standard deviation is small, the distribution is concentrated within a narrow range of values. For a normal distribution, about two thirds of the observations will fall within one standard deviation of the mean, and 95% of the observations will fall within two standard deviations of the mean.

STIF Account: Short-term investment fund at a custodian bank that invests in cash-equivalent instruments. It is generally used to safely invest the excess cash held by portfolio managers.

Style: The description of the type of approach and strategy utilized by an investment manager to manage funds. For example, the style for equities is determined by portfolio characteristics such as price-to-book value, price-to-earnings ratio, and dividend yield. Equity styles include growth, value, and core.

Yield to Maturity: The yield, or return, provided by a bond to its maturity date; determined by a mathematical process, usually requiring the use of a “basis book.” For example, a 5% bond pays \$5 a year interest on each \$100 par value. To figure its current yield, divide \$5 by \$95—the market price of the bond—and you get 5.26%. Assume that the same bond is due to mature in five years. On the maturity date, the issuer is pledged to pay \$100 for the bond that can be bought now for \$95. In other words, the bond is selling at a discount of 5% below par value. To figure yield to maturity, a simple and approximate method is to divide 5% by the five years to maturity, which equals 1% pro rata yearly. Add that 1% to the 5.26% current yield, and the yield to maturity is roughly 6.26%.

$$\frac{5\% \text{ (discount)}}{5 \text{ (yrs. to maturity)}} = 1\% \text{ pro rata, plus } 5.26\% \text{ (current yield)} = 6.26\% \text{ (yield to maturity)}$$

Sources: [Investment Terminology](#), International Foundation of Employee Benefit Plans, 1999.
[The Handbook of Fixed Income Securities](#), Fabozzi, Frank J., 1991.

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Throughout this report, numbers may not sum due to rounding.

Returns for periods greater than one year are annualized throughout this report.

Values shown are in millions of dollars, unless noted otherwise.



MINUTES

REGULAR MEETING OF THE CALOPTIMA BOARD OF DIRECTORS' FINANCE AND AUDIT COMMITTEE

CALOPTIMA
505 CITY PARKWAY WEST
ORANGE, CALIFORNIA

May 16, 2019

CALL TO ORDER

Chair Lee Penrose called the meeting to order at 2:01 p.m. Director Schoeffel led the Pledge of Allegiance.

Members Present: Lee Penrose, Chair; Ria Berger, Scott Schoeffel

Members Absent: All Members present

Others Present: Michael Schrader, Chief Executive Officer; Gary Crockett, Chief Counsel; Nancy Huang, Interim Chief Financial Officer; Ladan Khamseh, Chief Operating Officer; David Ramirez, M.D., Chief Medical Officer; Len Rosignoli, Chief Information Officer; Sharon Dwiers, Interim Clerk of the Board

PUBLIC COMMENT

Mallory Vega, Alzheimer's OC/Orange County Adult Day Services Coalition – Oral re: Agenda Item 3. Consider Recommending Board of Directors' Approval of the CalOptima Fiscal Year 2019-20 Operating Budget

Gio Corzo, SeniorServ/Orange County Adult Day Services Coalition -- Oral re: Agenda Item 3. Consider Recommending Board of Directors' Approval of the CalOptima Fiscal Year 2019-20 Operating Budget

INVESTMENT ADVISORY COMMITTEE UPDATE

1. Treasurer's Report

Nancy Huang, Interim Chief Financial Officer, presented an overview of the Treasurer's Report for the period January 1, 2019 through March 31, 2019. Based on a review by the Board of Directors' Investment Advisory Committee, she reported that all investments were compliant with Government Code section 53600 *et seq.*, and with CalOptima's Annual Investment Policy.

CONSENT CALENDAR

2. Approve the Minutes of the February 21, 2019 Regular Meeting of the CalOptima Board of Directors' Finance and Audit Committee; Receive and File Minutes of the January 28, 2019 Special Meeting of the CalOptima Board of Directors' Investment Advisory Committee

Action: On motion of Director Berger, seconded and carried, the Committee approved the Consent Calendar as presented. (Motion carried 3-0-0)

REPORTS

3. Consider Recommending Board of Directors' Approval of the CalOptima Fiscal Year 2019-20 Operating Budget

Ms. Huang presented the actions to recommend that the Board of Directors approve the CalOptima Fiscal Year (FY) 2019-20 Operating Budget and authorize the expenditure and appropriate the funds for items listed in Attachment B: Administrative Budget Details, which shall be procured in accordance with CalOptima Policy GA.5002: Purchasing Policy. As proposed, the FY 2019-20 Operating Budget assumes an average monthly enrollment of approximately 743,500 members, revenue at approximately \$3.5 billion, medical costs of approximately \$3.3 billion, operating income loss of approximately \$(45 million), and a total change in net assets of \$(30 million.) A detailed review of the proposed FY 2019-20 Operating Budget by line of business was presented to the Committee for discussion.

Ms. Huang also stated that CalOptima expected to receive draft rates for FY2019-20 from the Department of Health Care Services (DHCS) on May 17, 2019, noting that rate reductions were expected. After considerable discussion on the matter, the Finance and Audit Committee agreed to convene Special FAC meeting if the rates were materially different than the assumptions included in the budget presented a today's FAC meeting.

Action: On motion of Chair Penrose, seconded and carried, the Committee recommended Board of Directors' approval of the CalOptima Fiscal Year (FY) 2019-20 Operating Budget and authorize the expenditure and appropriate the funds for items listed in Attachment B: Administrative Budget Details, which shall be procured in accordance with CalOptima Policy GA.5002: Purchasing Policy. (Motion carried 3-0-0)

4. Consider Recommending Board of Directors' Approval of the CalOptima Fiscal Year 2019-20 Capital Budget

Ms. Huang presented the action to recommend that the Board of Directors approve the CalOptima FY 2019-20 Capital Budget and authorize the expenditure and appropriate the funds for the items listed in Attachment A: Fiscal Year 2019-20 Capital Budget by Project, which shall be procured in accordance with CalOptima policy. The recommended FY 2019-20 Capital Budget of \$11 million in the following asset types within three asset categories: Information systems, including hardware, software, and professional fees related to implementation, approximately \$9.6 million; 505 Building improvements, approximately \$1.4 million; and PACE Center, \$54,000.

Ms. Huang also noted for the record that the Capital Budget includes security enhancements for the Member Services lobby as well as the much-needed replacement of the cooling tower for the 505 building.

Action: *On motion of Director Schoeffel, seconded and carried, the Committee recommended Board of Directors' approval of the CalOptima Fiscal Year (FY) 2019-20 Capital Budget and authorize the expenditure and appropriate the funds for the items listed in Attachment A: Fiscal Year 2019-20 Capital Budget by Project, which shall be procured in accordance with CalOptima policy. (Motion carried 3-0-0)*

5. Consider Recommending Reappointment to the CalOptima Board of Directors' Investment Advisory Committee

Ms. Huang presented the recommended action that the Board of Directors reappoint Rodney Johnson to the CalOptima Board of Directors' Investment Advisory Committee (IAC) noting that Mr. Johnson has served as a member of the IAC since June 6, 2013 and consistently provided leadership and services to CalOptima's investment strategies.

Action: *On motion of Chair Penrose, seconded and carried, the Committee recommended that the Board of Directors' reappoint Rodney Johnson to the CalOptima Board of Directors' Investment Advisory Committee for a two-year term beginning June 7, 2019. (Motion carried 3-0-0)*

6. Consider Recommending Board of Directors Ratification of Standardized Annual Proposition 56 Provider Payment Process; and Recommending Ratification of Amendments to Medi-Cal Health Network Contracts

Director Schoeffel did not participate in this item due to potential conflicts of interest and left the room during the discussion and vote.

Action: *On motion of Director Berger, seconded and carried, the Committee recommended the Board of Directors' ratification of standardized annual Proposition 56 provider payment process; and ratify Medi-Cal health network contract amendments to address continued payments to individual providers of Proposition 56 appropriated funds and to compensate the health networks an administrative fee for performance of these responsibilities for services began in State Fiscal Year 2018-19 and all future extensions thereafter as long as the State of California continues the enhanced Proposition 56 payments to CalOptima. (Motion carried 2-0-0; Director Schoeffel absent)*

7. Consider Recommending Board of Directors' Authorization of Proposed Budget Allocation Changes in the CalOptima Fiscal Year 2018-19 Operating Budget for the MCG Health Care Guidelines for Behavioral Health Services and Contract Extension with MCG Health

Len Rosignoli, Chief Information Officer introduced the recommended action, noting that the dollar amount of the budgeted but unused funds had been updated to \$56,600 instead of \$55,000 as originally presented.

Director Schoeffel did not participate in this item due to potential conflicts of interest and left the room during the discussion and vote.

Action: On motion of Chair Penrose, seconded and carried, the Committee recommended that the Board of Directors' approve the amended motion to approve reallocation of FY2018-19 budgeted but unused funds of up to \$56,600 from Altruista Health Care Management System to MCG Health Care Guidelines to fund the additional cost for MCG Health Care Guidelines for Behavioral Health Services and authorize extension of the MCG Health contract through June 30, 2024. (Motion carried 2-0-0; Director Schoeffel absent)

INFORMATION ITEMS

8. 2019 Audit Planning

DeVon Wiens of Moss-Adams LLP introduced Stacy Stelzriede, Engagement Partner new to the Moss Adams team, noting that he will be retiring this year. Ms. Stelzriede presented a review of the scope of services for the annual audit for the year ending June 30, 2019 and provided a brief overview of recent changes in accounting standards. For the FY2018-19 audit, interim fieldwork is scheduled to begin on May 20, 2019, and final fieldwork will begin on July 22, 2019. The draft audited financial statements will be presented to the Finance and Audit Committee for review at the September 2019 meeting.

Aparna Venkateswaran, Engagement Senior Manager, briefly reviewed the various reports that are produced during this audit as well as new standards that will affect CalOptima beginning in fiscal year 2020.

9. March 2019 Financial Summary

Ms. Huang provided an overview of the enrollment, balance sheet, Board-designated reserves and tangible net equity (TNE) as of March 31, 2019.

The following Information Items were accepted as presented:

10. Health Homes Program Update
11. CalOptima Information Systems Security Update
12. Cost Containment Improvements/Initiatives
13. Centers for Medicare & Medicaid Services (CMS) Merit-based Incentive Payment System

14. Quarterly Reports to the Finance and Audit Committee
 - a. Shared Risk Pool Performance
 - b. Reinsurance Report
 - c. Health Network Financial Report
 - d. Purchasing Report

COMMITTEE MEMBER COMMENTS

Chair Penrose welcomed Director Berger to the Finance and Audit Committee and thank staff for all of their hard work

ADJOURNMENT

Hearing no further business, Chair Penrose adjourned the meeting at 4:10 p.m.

/s/ Sharon Dwiars

Sharon Dwiars
Interim Clerk of the Board

Approved: 9/19/19

MINUTES
SPECIAL MEETING
OF THE
CALOPTIMA BOARD OF DIRECTORS’
FINANCE AND AUDIT COMMITTEE

CALOPTIMA
505 CITY PARKWAY WEST
ORANGE, CALIFORNIA

May 22, 2019

CALL TO ORDER

Chair Lee Penrose called the meeting to order at 2:02 p.m. Chair Penrose led the Pledge of Allegiance.

Members Present: Lee Penrose, Chair; Scott Schoeffel

Members Absent: Ria Berger

Others Present: Michael Schrader, Chief Executive Officer; Gary Crockett, Chief Counsel; Nancy Huang, Interim Chief Financial Officer; David Ramirez, M.D., Chief Medical Officer; Len Rosignoli, Chief Information Officer; Sharon Dwiars, Interim Clerk of the Board

PUBLIC COMMENT

There were no requests for public comment.

REPORTS

1. Consider Recommending Board of Directors’ Approval of the CalOptima Fiscal Year 2019-20 Operating Budget

Director Penrose introduced the item and noted that at the May 16, 2019, Finance and Audit Committee (FAC) Meeting, the Committee members voted unanimously to recommend approval of the budget contingent on any new information received from the State being consistent with the staff presentation at the May 16, 2019 FAC meeting.

Ms. Huang presented the revised proposed budget for the CalOptima Fiscal Year (FY) 2019-20 Operating Budget and focused on the differences between the proposed budget presented on May 16, 2019 and updates included in the May 22, 2019 budget package. As proposed, the FY 2019-20 Operating Budget assumes an average monthly enrollment of approximately 743,500 members, revenue at approximately \$3.5 billion, medical costs of approximately \$3.3 billion, operating income of approximately \$11 million, instead of the loss budget proposed on May 16, 2019, of \$(45 million) and a total change in net assets of approximately \$26 million positive, which had been previously proposed as a budgeted loss of approximately \$(30 million). A detailed review of the proposed FY 2019-20 Operating Budget by line of business was presented to the Committee for discussion.

Ms. Huang highlighted the differences in revenue proposed on May 16, 2019, for the FY2019-20 Operating Budget and the updated proposed budget presented today. For Medi-Cal Classic, staff had previously assumed no change in revenue but today with the new draft rates from the Department of Health Care Services (DHCS), staff is proposing a budget reflecting a 5% revenue increase. For Medi-Cal Expansion, staff had previously proposed a budget reflecting a (10) % decrease in Medi-Cal Expansion revenue; however, based on input from DHCS, staff is now anticipating a more moderate (6.7) % revenue drop. For Medi-Cal Whole-Child Model revenue, the May 16th budget assumed no revenue change; however, today staff is proposing a 2.0 % budgeted revenue increase. Ms. Huang reviewed the revised capitation rates and impact to various lines of business and aid codes, noting the draft rates were better than expected in most areas. After considerable review and discussion on the matter, the Finance and Audit Committee took the following action.

Action: On motion of Director Schoeffel, seconded and carried, the Committee recommended Board of Directors' approval of the CalOptima Fiscal Year (FY) 2019-20 Operating Budget and authorization of the expenditures and appropriate the funds for items listed in Attachment B: Administrative Budget Details, which shall be procured in accordance with CalOptima Policy GA.5002: Purchasing Policy. (Motion carried 2-0-0)

Ms. Huang updated the FAC on follow-up items from the May 16, 2019 meeting. From the FY2019-20 Capital Budget, there were questions regarding the main cooling tower, which is the largest item in the capital budget. Ms. Huang introduced Carla Osimo, Property Manager at RiverRock Real Estate Group, CalOptima's building management company, to provide additional details regarding the need for replacement and the associated cost. Ms. Osimo stated that this building was built in 1978 when there were far fewer heat-generating electronic devices in the building. The current cooling tower is the original, and is no longer able to efficiently cool the building. This is causing the chiller to run at full capacity and CalOptima is required to run the air conditioning seven days a week to keep the building cool. The expected lifespan of cooling towers is about 20 to 30 years. With the new proposed cooling tower, we will have newer technology, with greater energy and water efficiency.

Ms. Huang updated the FAC on revised staffing vacancy factors moved from 3% to 5% based on actual trend. The Finance team also reached out to business owners on projects listed on Attachment B that are \$250,000 or over to ensure the project implementation will begin in FY2019-20.

Also, Ms. Huang noted that, as Chair Penrose had mentioned, staff is continuing to monitor the financial performance of OneCare Connect and Whole-Child Model and will start bringing regular updates to the FAC.

COMMITTEE MEMBER COMMENTS

The Committee thanked staff for its hard work on the budget and thanked the providers for their support.

ADJOURNMENT

Hearing no further business, Chair Penrose adjourned the meeting at 4:01 p.m.

/s/ Sharon Dwiars

Sharon Dwiars

Interim Clerk of the Board

Approved: 9/19/19

MINUTES

MEETING OF THE CALOPTIMA BOARD OF DIRECTORS' INVESTMENT ADVISORY COMMITTEE

April 22, 2019

A meeting of the CalOptima Board of Directors' Investment Advisory Committee (IAC) was held on Monday, April 22, 2019, at CalOptima, 505 City Parkway West, Orange, California.

CALL TO ORDER

Acting Chair Caroline Harkins called the meeting to order at 3:08 p.m. and led the Pledge of Allegiance.

ROLL CALL

Members Present: Acting Chair Caroline Harkins, Peggy Eckroth, Nancy Huang, Susan Munson

Members Absent: Chair Patrick Moore, Rodney Johnson, David Young

Others Present: Laura Wirick, Stephanie Sorg, Meketa Investment Group; Asha Joshi, Jeffrey Cleveland, Darren Marco, Payden & Rygel; Scott Pavlak, Syd Sarva, Logan Circle Partners; Steve Scharre, Tony Mellville, Seth Takata, Wells Capital Management; Diana Hoffman, Deputy Chief Counsel, Faye Heidari, Accounting Supervisor, Pamela Reichardt, Executive Assistant

MINUTES

Approve Minutes of the January 28, 2019, Special Meeting of the CalOptima Board of Directors' Investment Advisory Committee

Action: On motion of Acting Chair Harkins, seconded and carried, the Minutes of the January 28, 2019, Special Meeting of the CalOptima Board of Directors' Investment Advisory Committee were approved as presented. (Motion carried 4-0-0; Members Moore, Johnson and Young absent).

PUBLIC COMMENT

There were no requests for public comment.

MANAGEMENT REPORTS

Chief Financial Officer (CFO) Report

Interim CFO Nancy Huang reported that both the California Department of Health Care Services (DHCS) and the Centers for Medicare & Medicaid Services (CMS) were monitoring the Medi-Cal Expansion (MCE) population closely to ensure the integrity of federal dollars spent on newly eligible MCE members. Last year, staff completed an MCE Medical Loss Ratio (MLR) reconciliation with DHCS for the initial 30-months of the program. In April 2019, Staff received notice that all plans that participated in the previous MLR reconciliation with DHCS would be audited by CMS for the same period. Depending on the results from the CMS audit, CalOptima's future cash flow may be impacted. Staff will report additional details to the committee when more information becomes available.

Staff is currently working on the Fiscal Year 2019-20 budget. DHCS will release draft rates in early May 2019. Staff anticipates a decrease to CalOptima's MCE rates for the upcoming fiscal year.

Interim CFO Nancy Huang also provided an update on CalOptima's Request for Proposal (RFP) for custodial bank services. Once a vendor is selected, Staff will report back to the committee.

REPORTS

Consider Recommending Reappointment to the CalOptima Board of Directors' Investment Advisory Committee

Action: On motion of Member Susan Munson, seconded and carried, the Investment Advisory Committee recommended the reappointment of Rodney Johnson to the Board of Directors' Investment Advisory Committee for a two-year term beginning August 2, 2019. (Motion carried 4-0-0; Members Moore, Johnson and Young absent).

INFORMATION ITEMS

Presentation by Meketa Investment Group

Laura Wirick, Principal, Meketa Investment Group provided a company update.

Stephanie Sorg, Investment Manager, reported on the total fund performance. CalOptima's total investment balance at the end of the first quarter of the calendar year 2019 was \$1.63 billion, which is up from the fourth quarter of calendar 2018 largely due to cash inflows. At the end of the quarter, approximately 66% of the portfolio was in cash and cash equivalents, and the remaining 34% was in fixed income investments. Funds managed by the three investment managers achieved positive returns in the first quarter of calendar 2019.

Ms. Wirick then provided a peer group analysis summary and a market update. She reported that CalOptima's investment portfolio was in compliance with CalOptima's Annual Investment Policy for the quarter.

Presentation by Payden & Rygel

Asha Joshi, Managing Principal, Payden & Rygel, introduced Syd Sarva from Payden's economics team. Ms. Joshi reported on the yield to maturity within the portfolio and provided a firm update and overall themes within the U.S. economy.

Jeffrey Cleveland, Chief Economist, provided an economic overview and commented on the yield curve. Mr. Cleveland also reported on global economic conditions, leading to a Committee member discussion on the likely impact of the anticipated slow-down of Federal Open Market Committee (FOMC) rate escalations on CalOptima's investment portfolio.

Darren Marco, Vice President, provided a report on the CalOptima Operating Fund portfolio and Tier One Account as of March 31, 2019. Mr. Marco reported that CalOptima's portfolio with Payden & Rygel was in compliance for the quarter.

Presentation by Wells Capital Management

Steve Scharre, Client Relations Director, Wells Capital Management, introduced Seth Takata, Partner, who has joined the Wells Fargo team and will be providing the IAC with reports in the future. Mr. Scharre also provided a firm update.

Tony Melville, Portfolio Manager, provided an operating portfolio review of Tier One funds and an allocation update as of March 31, 2019. Mr. Mellville reported that CalOptima's investment portfolio at Wells Fargo was in compliance for the quarter.

Presentation by Logan Circle Partners

Scott Pavlak, Senior Portfolio Manager, provided a firm update. Mr. Pavlak reported on the status of the integration of Logan Circle into MetLife since it was acquired a year and a half ago.

Mr. Pavlak reported on CalOptima's portfolio and provided a fund performance update for Tier One and Tier Two CalOptima funds as of March 31, 2019. Mr. Pavlak noted that CalOptima's investment portfolio with Logan Circle was in compliance for the quarter.

CalOptima Investment Funds Overview

Nancy Huang, Interim CFO, presented an overview of CalOptima's investment portfolio from December 2010 through February 2019. Ms. Huang reported on the historical portfolio balances, and CalOptima's current ratio and quarterly cash flow trends.

Ms. Huang reported on the cash flow forecast for the last quarter of Fiscal Year 2018-19, and potential program changes in the upcoming fiscal year.

Financial Update

Ms. Huang also provided an overview of CalOptima's financial performance as of February 2019. CalOptima's overall enrollment totaled approximately 761,000 members in February. In the month of February, CalOptima's consolidated medical loss ratio (MLR) was approximately 88.7%, and the Administrative Loss Ratio (ALR) was approximately 3.7%. CalOptima's fiscal year-to-date consolidated MLR was approximately 93.3%, and the ALR was approximately 3.8%.

Ms. Huang also reported that the total change in net assets through February year-to-date is \$88 million. Current assets at the end of February totaled \$1.2 billion, and current liabilities were \$925 million, resulting in a current ratio of 1.3. Total Board-designated reserves were approximately \$550 million.

ADJOURNMENT

Hearing no further business, Acting Chair Harkins adjourned the meeting at 4:36 p.m.

/s/ Pamela Reichardt
Pamela Reichardt
Executive Assistant

Approved: July 22, 2019

CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken September 19, 2019 Regular Meeting of the CalOptima Board of Directors' Finance and Audit Committee

Report Item

3. Consider Recommending that the Board of Directors Accept and Receive and File Fiscal Year 2019 CalOptima Audited Financial Statements

Contact

Nancy Huang, Interim Chief Financial Officer (714) 246-8400

Recommended Action

Recommend that the CalOptima Board of Directors accept and receive and file the Fiscal Year 2019 CalOptima consolidated audited financial statements as submitted by independent auditors Moss-Adams, LLP

Background

CalOptima has contracted with financial auditors Moss-Adams, LLP since May 21, 2015, to complete CalOptima's annual financial audit. At the May 16, 2019, meeting of the CalOptima Finance and Audit Committee, Moss-Adams presented the 2019 Audit Plan. The plan includes performing the mandatory annual consolidated financial statement audit and drafting the consolidated financial statements for the year ending June 30, 2019.

Discussion

Moss-Adams conducted the interim audit from May 20, 2019, through May 24, 2019, and the year-end on-site audit from July 22, 2019, through August 9, 2019. The significant audit areas that Moss-Adams reviewed included:

- Capitation revenue and receivables;
- Medical claims liability and claims expense;
- Obligations payable to State of California or the California Department of Health Care Services; and
- Pension and other post-employment benefits (OPEB) liabilities.

Results from CalOptima's Fiscal Year (FY) 2019 Audit were positive. The auditor made no changes in CalOptima's approach to applying critical accounting policies, nor did they report having encountered any significant difficulties during the audit. Additionally, there were no material misstatements identified by the auditor. As such, Management recommends that the Board accept the CalOptima FY 2019 audited financial statements, as presented.

Fiscal Impact

There is no fiscal impact related to this recommended action.

Concurrence

Gary Crockett, Chief Counsel

CalOptima Board Action Agenda Referral
Consider Recommending that the Board of Directors Accept and Receive and File
Fiscal Year 2019 CalOptima Audited Financial Statements
Page 2

Attachments

FY 2019 CalOptima Audited Financial Statements
Presentation by Moss-Adams, LLP

/s/ Michael Schrader
Authorized Signature

9/12/2019
Date

REPORT OF INDEPENDENT AUDITORS AND
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

ORANGE COUNTY HEALTH AUTHORITY, A PUBLIC
AGENCY/DBA ORANGE PREVENTION AND TREATMENT
INTEGRATED MEDICAL ASSISTANCE/DBA CALOPTIMA

June 30, 2019 and 2018

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**Orange County Health Authority, a Public Agency/
dba Orange Prevention and Treatment Integrated
Medical Assistance/dba CalOptima
Management's Discussion and Analysis**

The intent of management's discussion and analysis of CalOptima's consolidated financial performance is to provide readers with an overview of the agency's financial activities for the fiscal years ended June 30, 2019, 2018, and 2017. Readers should review this summation in conjunction with CalOptima's consolidated financial statements and accompanying notes to the consolidated financial statements to enhance their understanding of CalOptima's financial performance.

Key Operating Indicators

The table below compares key operating indicators for CalOptima for the fiscal years ended June 30, 2019, 2018, and 2017:

Key Operating Indicators	2019	2018	2017 (as restated)
Members (at end of fiscal period):			
Medi-Cal program	743,936	763,824	772,228
OneCare	1,537	1,418	1,121
OneCare Connect	14,123	14,768	15,505
PACE	327	267	212
Average member months			
Medi-Cal program	751,409	772,511	777,057
OneCare	1,448	1,372	1,237
OneCare Connect	14,398	15,079	16,834
PACE	303	239	190
Operating revenues (in millions)	\$ 3,475	\$ 3,446	\$ 3,549
Operating expenses (in millions)			
Medical expenses	3,217	3,292	3,400
Administrative expenses	131	132	111
Operating income (in millions)	<u>\$ 127</u>	<u>\$ 22</u>	<u>\$ 38</u>
Operating revenues PMPM (per member per month)	\$ 377	\$ 364	\$ 372
Operating expenses PMPM			
Medical expenses PMPM	349	348	356
Administrative expenses PMPM	14	14	12
Operating income PMPM	<u>\$ 14</u>	<u>\$ 2</u>	<u>\$ 4</u>
Medical loss ratio	93%	96%	96%
Administrative expenses ratio	4%	4%	3%
Premium tax revenue and expenses not included above			
Operating revenues (in millions)	\$ 137	\$ 143	\$ 138
Administrative expenses (in millions)	137	143	138

Orange County Health Authority, a Public Agency/ dba Orange Prevention and Treatment Integrated Medical Assistance/dba CalOptima Management's Discussion and Analysis

Overview of the Consolidated Financial Statements

This annual report consists of consolidated financial statements and notes to those statements, which reflect CalOptima's financial position as of June 30, 2019, 2018, and 2017, and results of its operations for the fiscal years ended June 30, 2019, 2018, and 2017. The consolidated financial statements of CalOptima, including the consolidated statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows, represent the consolidated accounts and transactions of the five (5) programs – Medi-Cal, OneCare, OneCare Connect, Program of All-inclusive Care for the Elderly (PACE), and CalOptima Foundation.

- The consolidated statements of net position include all of CalOptima's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, as well as an indication about which assets and deferred outflows of resources are utilized to fund obligations to providers and which are restricted as a matter of Board of Directors' policy.
- The consolidated statements of revenues, expenses, and changes in net position present the results of operating activities during the fiscal year and the resulting increase or decrease in net position.
- The consolidated statements of cash flows report the net cash provided by or used in operating activities, as well as other sources and uses of cash from investing and capital and related financing activities.

The following discussion and analysis addresses CalOptima's overall program activities. CalOptima's Medi-Cal program accounted for 90.2 percent, 89.8 percent, and 88.6 percent of its annual revenues during fiscal years 2019, 2018, and 2017, respectively. CalOptima's OneCare program accounted for 0.6 percent, 0.5 percent, and 0.5 percent of its annual revenues during fiscal years 2019, 2018, and 2017, respectively. CalOptima's OneCare Connect program accounted for 8.4 percent, 9.1 percent, and 10.5 percent of its annual revenues during fiscal years 2019, 2018, and 2017, respectively. All other programs consolidated accounted for 0.8 percent, 0.6 percent, and 0.4 percent of CalOptima's annual revenues during fiscal years 2019, 2018, and 2017, respectively.

CalOptima Foundation (the "Foundation") was formed as a not-for-profit benefit corporation in 2010 dedicated to the betterment of public health care services in Orange County. The Foundation Board of Directors approved the dissolution of the Foundation in May 2019, and all assets of the Foundation were transferred back to CalOptima. CalOptima had sole control over the activities of the Foundation and as such, the activities of the Foundation are included in the consolidated financial statements of CalOptima.

**Orange County Health Authority, a Public Agency/
dba Orange Prevention and Treatment Integrated
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Management's Discussion and Analysis**

2019 and 2018 Financial Highlights

As of June 30, 2019 and 2018, total assets and deferred outflows of resources were approximately \$1,957.2 and \$1,879.1 million, respectively, and exceeded liabilities and deferred inflows of resources by approximately \$935.5 and \$764.5 million, respectively.

Net position increased by approximately \$171.1 million, or 22.4 percent, during fiscal year 2019 including the transfer of Foundation assets of approximately \$2.9 million, and increased by approximately \$45.8 million, or 6.4 percent, during fiscal year 2018.

Table 1a: Condensed Consolidated Statements of Net Position as of June 30,
(Dollars in Thousands)

Financial Position	2019	2018	Change From 2018	
			Amount	Percentage
ASSETS				
Current assets	\$ 1,279,064	\$ 1,278,680	\$ 384	0.0%
Board-designated assets and restricted cash	620,445	538,548	81,897	15.2%
Capital assets, net	46,625	50,758	(4,133)	-8.1%
Total assets	1,946,134	1,867,986	78,148	4.2%
DEFERRED OUTFLOWS OF RESOURCES				
	11,090	11,133	(43)	-0.4%
Total assets and deferred outflows of resources	\$ 1,957,224	\$ 1,879,119	\$ 78,105	4.2%
LIABILITIES				
Current liabilities	\$ 965,968	\$ 1,061,545	\$ (95,577)	-9.0%
Other liabilities	48,307	49,766	(1,459)	-2.9%
Total liabilities	1,014,275	1,111,311	(97,036)	-8.7%
DEFERRED INFLOWS OF RESOURCES				
	7,407	3,329	4,078	122.5%
NET POSITION				
Net investment in capital assets	46,580	50,637	(4,057)	-8.0%
Restricted by legislative authority	84,930	89,037	(4,107)	-4.6%
Unrestricted	804,032	624,805	179,227	28.7%
Total net position	935,542	764,479	171,063	22.4%
Total liabilities, deferred inflows of resources and net position	\$ 1,957,224	\$ 1,879,119	\$ 78,105	4.2%

Current assets increased \$0.4 million from \$1,278.7 million in 2018 to \$1,279.1 million in 2019. Current liabilities decreased \$95.6 million from \$1,061.5 million in 2018 to \$966.0 million in 2019. The decrease is mostly due to a remittance back to the California Department of Health Care Services (DHCS) for the Medi-Cal expansion Medical Loss Ratio (MLR) reconciliation for fiscal year 2014 through 2016 and recognition of previously unearned revenue.

Orange County Health Authority, a Public Agency/ dba Orange Prevention and Treatment Integrated Medical Assistance/dba CalOptima Management's Discussion and Analysis

2019 and 2018 Financial Highlights (continued)

Board-designated assets and restricted cash increased by \$81.9 million and \$3.1 million in fiscal years 2019 and 2018, respectively. In fiscal year 2019, in addition to the existing Board-designated reserve, the Board of Directors designated a \$60 million funding initiative for homeless health.

The Board of Directors' policy is to augment the rest of Board-designated assets to provide a desired level of funds between 1.4 months and 2.0 months of premium revenue to meet future contingencies. CalOptima's reserve level of tier one and two investment portfolios as of June 30, 2019, is at 1.98 times of monthly average premium revenue.

CalOptima is also required to maintain a \$300,000 restricted deposit as a part of the Knox-Keene Health Care Service Plan Act of 1975.

2018 and 2017 Financial Highlights

As of June 30, 2018 and 2017, total assets and deferred outflows of resources were approximately \$1,879.1 million and \$2,743.0 million, respectively, and exceeded liabilities and deferred inflows of resources by approximately \$764.5 million and \$718.6 million, respectively.

Net position increased by approximately \$45.8 million, or 6.4 percent, during fiscal year 2018 and increased by approximately \$56.2 million, or 8.5 percent, during fiscal year 2017.

**Orange County Health Authority, a Public Agency/
dba Orange Prevention and Treatment Integrated
Medical Assistance/dba CalOptima
Management's Discussion and Analysis**

2018 and 2017 Financial Highlights (continued)

Table 1b: Condensed Consolidated Statements of Net Position as of June 30,
(Dollars in Thousands)

Financial Position	2018	2017 (as restated)	Change From 2017	
			Amount	Percentage
ASSETS				
Current assets	\$ 1,278,680	\$ 2,141,667	\$ (862,987)	-40.3%
Board-designated assets and restricted cash	538,548	535,438	3,110	0.6%
Capital assets, net	50,758	54,301	(3,543)	-6.5%
Total assets	1,867,986	2,731,406	(863,420)	-31.6%
DEFERRED OUTFLOWS OF RESOURCES				
	11,133	11,577	(444)	-3.8%
Total assets and deferred outflows of resources	<u>\$ 1,879,119</u>	<u>\$ 2,742,983</u>	<u>\$ (863,864)</u>	<u>-31.5%</u>
LIABILITIES				
Current liabilities	\$ 1,061,545	\$ 1,981,195	\$ (919,650)	-46.4%
Other liabilities	49,766	41,809	7,957	19.0%
Total liabilities	1,111,311	2,023,004	(911,693)	-45.1%
DEFERRED INFLOWS OF RESOURCES				
	3,329	1,340	1,989	148.4%
NET POSITION				
Net investment in capital assets	50,637	54,104	(3,467)	-6.4%
Restricted by legislative authority	89,037	98,445	(9,408)	-9.6%
Unrestricted	624,805	566,090	58,715	10.4%
Total net position	764,479	718,639	45,840	6.4%
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,879,119</u>	<u>\$ 2,742,983</u>	<u>\$ (863,864)</u>	<u>-31.5%</u>

Current assets decreased \$863.0 million from \$2,141.7 million in 2017 to \$1,278.7 million in 2018, primarily in cash, short-term investments and premium receivables categories. Current liabilities decreased \$919.7 million from \$1,981.2 million in 2017 to \$1,061.5 million in 2018. The decrease is mainly related to recoupment from DHCS on Medi-Cal expansion rate changes and shared risk pool payouts to the health networks.

Board-designated assets and restricted cash increased by \$3.1 million and \$59.3 million in fiscal years 2018 and 2017, respectively. The Board of Directors' policy is to augment Board-designated assets to provide a desired level of funds between 1.4 months and 2 months of premium revenue to meet future contingencies. CalOptima's reserve level of tier one and two investment portfolios as of June 30, 2018, is at 1.9 times of monthly average premium revenue. CalOptima is also required to maintain a \$300,000 restricted deposit as a part of the Knox-Keene Health Care Service Plan Act of 1975.

Orange County Health Authority, a Public Agency/ dba Orange Prevention and Treatment Integrated Medical Assistance/dba CalOptima Management's Discussion and Analysis

2019 and 2018 Results of Operations

CalOptima's fiscal year 2019 operations and nonoperating revenues resulted in a \$171.1 million increase in net position, \$125.2 million more compared to a \$45.8 million decrease in fiscal year 2018. The following table reflects the changes in revenues and expenses for 2019 compared to 2018:

Table 2a: Consolidated Revenues, Expenses, and Changes in Net Position for
Fiscal Years Ended June 30,
(Dollars in Thousands)

Results of Operations	2019	2018	Change From 2018	
			Amount	Percentage
PREMIUM REVENUES	\$ 3,474,634	\$ 3,445,699	\$ 28,935	0.8%
Total operating revenues	3,474,634	3,445,699	28,935	0.8%
MEDICAL EXPENSES	3,216,673	3,291,712	(75,039)	-2.3%
ADMINISTRATIVE EXPENSES	130,574	131,847	(1,273)	-1.0%
Total operating expenses	3,347,247	3,423,559	(76,312)	-2.2%
OPERATING INCOME	127,387	22,140	105,247	475.4%
NONOPERATING REVENUES AND EXPENSES	43,676	23,700	19,976	84.3%
Increase in net position	171,063	45,840	125,223	273.2%
NET POSITION, beginning of year	764,480	718,640	45,840	6.4%
NET POSITION, end of year	\$ 935,543	\$ 764,480	\$ 171,063	22.4%

2019 and 2018 Operating Revenues

The increase in consolidated operating revenues of \$28.9 million in fiscal year 2019 is attributable to an overall capitation rate increase, Intergovernmental Transfers (IGT), expansion of Proposition 56, recognition of net increase to Coordinated Care Initiative (CCI) revenue after an update made to enrollment logic (offset by decreased blended paid rate from DHCS). Overall lower enrollment in fiscal year 2019 compared to fiscal 2018 offsets part of the revenue increase.

2019 and 2018 Medical Expenses

Overall medical expenses decreased by \$75.0 million or 2.3 percent in fiscal year 2019, totaling \$3,216.7 million, compared to \$3,291.7 million in fiscal year 2018. CalOptima's medical loss ratio, or medical expenses as a percentage of operating revenues, decreased 2.9 percent from 95.5 to 92.6 percent in fiscal year 2018 to 2019.

**Orange County Health Authority, a Public Agency/
dba Orange Prevention and Treatment Integrated
Medical Assistance/dba CalOptima
Management's Discussion and Analysis**

2019 and 2018 Medical Expenses (continued)

Medi-Cal provider capitation, comprised of capitation payments to CalOptima's contracted health networks, increased by 2.4 percent from fiscal year 2018 to fiscal year 2019. Capitated member enrollment accounted for approximately 76.3 percent of CalOptima's enrollment, averaging 573,455 members during fiscal year 2019, and 76.4 percent of CalOptima's enrollment, averaging 590,204 members during fiscal year 2018. Included in the capitated environment are 192,011 or 33.5 percent and 198,508 or 33.6 percent members in a shared risk network for fiscal years 2019 and 2018, respectively. Shared Risk Networks receive capitation for professional services and are claims-based for hospital services.

Medi-Cal provider capitation expenses totaled \$1,094.3 million in fiscal year 2019, compared to \$1,068.4 million in fiscal year 2018. The increase reflects additional capitation expenses relating to Proposition 56 (the Research and Prevention Tobacco Tax Act of 2016), which authorizes additional supplemental payments to impacted physician services compared to 2018.

Medi-Cal claims expense to providers and facilities, including Long-term care (LTC) services decreased by 8.3 percent from fiscal year 2018 to fiscal year 2019. This decrease is attributable to lower enrollment and the discontinuation of In-Home Supportive Services (IHSS) services beginning January 2018.

Prescription drugs costs increased by 0.8 percent in fiscal year 2019, compared to fiscal year 2018. Results from fiscal year 2019 reflects an increase in prescription drug prices.

In addition to items mentioned above, total Quality Assurance Fee (QAF) payments received and passed through to hospitals decreased from \$307.8 million to \$297.4 million from fiscal year 2018 to fiscal year 2019. These receipts and payments are not included in the consolidated statements of revenues, expenses, and changes in net position.

2019 and 2018 Administrative Expenses

Total administrative expenses were \$130.6 million in 2019 compared to \$131.8 million in 2018. Overall administrative expenses decreased by 1.0 percent or \$1.3 million, corresponding to lower salaries and benefits due to the effect of a non-recurring CalPERS discount rate reduction from 7.7 percent to 7.2 percent, with offsetting inflation increases in other expense categories. During fiscal years 2019 and 2018, respectively, CalOptima's administrative expenses remained at 3.8 percent of total operating revenues.

Orange County Health Authority, a Public Agency/ dba Orange Prevention and Treatment Integrated Medical Assistance/dba CalOptima Management's Discussion and Analysis

2018 and 2017 Results of Operations

CalOptima's fiscal year 2018 operations and nonoperating revenues resulted in a \$45.8 million increase in net position, \$10.3 million less compared to a \$56.2 million increase in fiscal year 2017. The following table reflects the changes in revenues and expenses for 2018 compared to 2017:

Table 2b: Consolidated Revenues, Expenses and Changes in Net Position for
Fiscal Years Ended June 30,
(Dollars in Thousands)

Results of Operations	2018	2017 (as restated)	Change From 2017	
			Amount	Percentage
CAPITATION REVENUES	\$ 3,445,699	\$ 3,549,462	\$ (103,763)	-2.9%
OTHER INCOME	-	27	(27)	-100.0%
Total operating revenues	3,445,699	3,549,489	(103,790)	-2.9%
MEDICAL EXPENSES	3,291,712	3,399,612	(107,900)	-3.2%
ADMINISTRATIVE EXPENSES	131,847	111,428	20,419	18.3%
Total operating expenses	3,423,559	3,511,040	(87,481)	-2.5%
OPERATING INCOME	22,140	38,449	(16,309)	-42.4%
NONOPERATING REVENUES AND EXPENSES	23,700	17,724	5,976	33.7%
Increase in net position	45,840	56,173	(10,333)	-18.4%
NET POSITION, beginning of year	718,640	662,467	56,173	8.5%
NET POSITION, end of year	\$ 764,480	\$ 718,640	\$ 45,840	6.4%

2018 and 2017 Operating Revenues

The decrease in consolidated operating revenues of \$103.8 million in fiscal year 2018 is attributable to lower enrollment in fiscal year 2018 compared to fiscal year 2017, overall rate decreases in the Medi-Cal line of business for both Medi-Cal classic and Medi-Cal expansion members, and the discontinuation of In-Home Supportive Services (IHSS) beginning January 2018. Part of the revenue decrease is offset by the recognition of prior year unearned revenue from the Coordinated Care Initiative (CCI) program after reconciling the blended rates with DHCS.

2018 and 2017 Medical Expenses

Overall medical expenses decreased by \$107.9 million or 3.2 percent in fiscal year 2018, totaling \$3,292.7 million, compared to \$3,399.6 million in fiscal year 2017. CalOptima's medical loss ratio, or medical expenses as a percentage of operating revenues, was 95.5 percent in fiscal year 2018 similar to the result in fiscal year 2017, which was 95.8 percent.

**Orange County Health Authority, a Public Agency/
dba Orange Prevention and Treatment Integrated
Medical Assistance/dba CalOptima
Management's Discussion and Analysis**

2018 and 2017 Medical Expenses (continued)

Medi-Cal provider capitation, comprised of capitation payments to CalOptima's contracted health networks, increased by 8.5 percent from fiscal year 2017 to fiscal year 2018 due to the transition of a shared risk group network to a health maintenance organization (HMO) model during the year. Capitated member enrollment accounted for approximately 76.4 percent of CalOptima's enrollment, averaging 590,204 members during fiscal year 2018 and 78.6 percent of CalOptima's enrollment, averaging 610,893 members during fiscal year 2017. Included in the capitated environment are 198,508 or 33.6 percent and 298,552 or 48.9 percent members in a shared risk network for fiscal years 2018 and 2017, respectively. Shared Risk Networks receive capitation for professional services and are claims-based for hospital services.

Medi-Cal provider capitation expenses totaled \$1,068.4 million in fiscal year 2018, compared to \$984.4 million in fiscal year 2017. The increase reflects the transition of one group to HMO, and additional capitation expenses relating to Proposition 56, which authorizes supplemental payments to impacted physician services.

Medi-Cal claims expense to providers and facilities, including Long-term care (LTC) services decreased by 10.1 percent from fiscal year 2017 to fiscal year 2018. This decrease is attributable to lower enrollment, the transition of one shared risk network to HMO as mentioned above, and the discontinuation of In-Home Supportive Services (IHSS) services beginning January 2018. The decrease is offset by additional IHSS expenses recorded based on an updated IHSS report from DHCS for service dates between fiscal year 2016 to fiscal year 2018.

Prescription drugs costs increased by 4.8 percent in fiscal year 2018, compared to fiscal year 2017. Results from fiscal year 2018 reflects an increase in prescription drug prices.

In addition to items mentioned above, total QAF payments received and passed through to hospitals increased from \$307.8 million to \$402.3 million from fiscal year 2017 to fiscal year 2018. These receipts and payments are not included in the consolidated statements of revenues, expenses, and changes in net position.

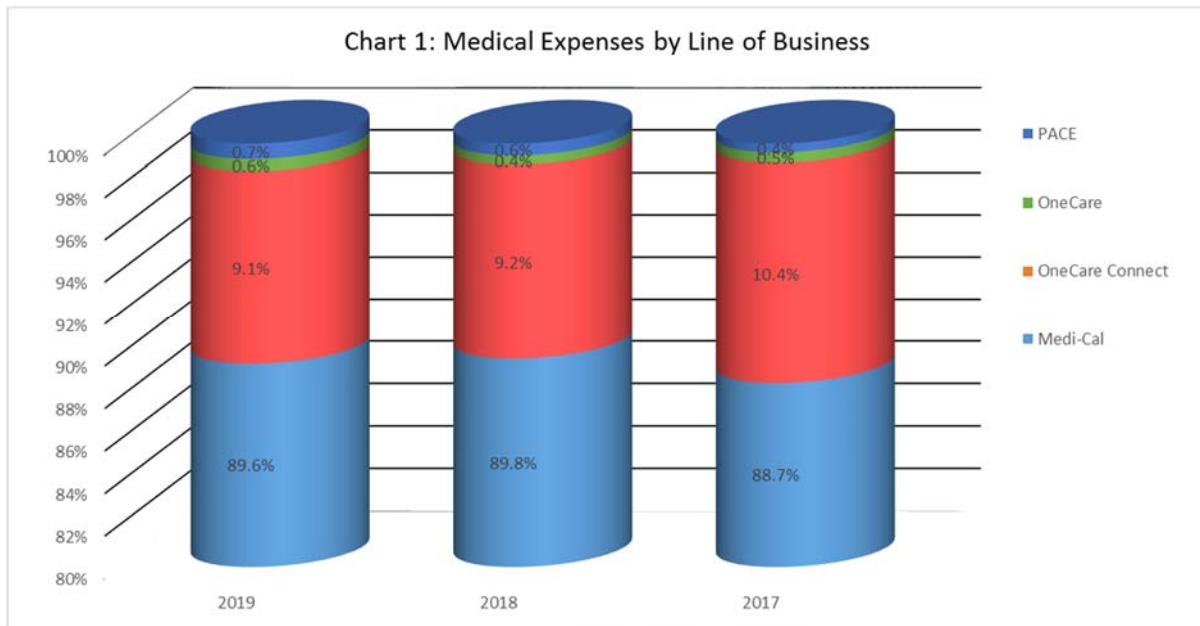
2018 and 2017 Administrative Expenses

Total administrative expenses were \$131.8 million in 2018 compared to \$111.4 million in 2017. Overall administrative expenses increased by 18.3 percent or \$20.4 million, due to increases in salaries and benefits for behavioral health services brought in house, along with a CalPERS actuarial valuation increase of \$10 million related to a discount rate reduction from 7.65% to 7.15%. The administrative expenses for both 2018 and 2017 reflected the implementation of Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* for CalOptima's other post-employment benefits for decreases of \$2.1 million and \$2.3 million, respectively. During fiscal years 2018 and 2017, respectively, CalOptima's administrative expenses were 3.8 percent and 3.1 percent of total operating revenues.

Orange County Health Authority, a Public Agency/ dba Orange Prevention and Treatment Integrated Medical Assistance/dba CalOptima Management's Discussion and Analysis

2019, 2018, and 2017 Medical Expenses by Line of Business

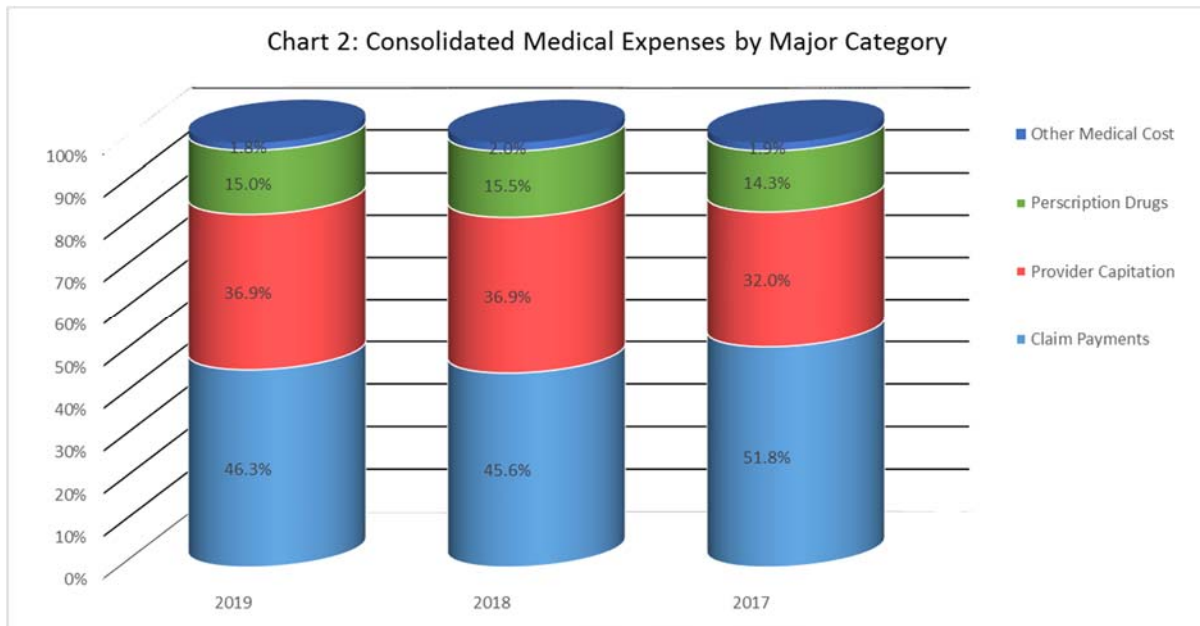
Below is a comparison chart of total medical expenses by line of business and their respective percentages of the overall medical expenditures by fiscal year.



**Orange County Health Authority, a Public Agency/
dba Orange Prevention and Treatment Integrated
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Management's Discussion and Analysis**

2019, 2018, and 2017 Consolidated Medical Expenses by Major Category

Below is a comparison chart of consolidated medical expenses by major category and their respective percentages of the overall medical expenditures by fiscal year.

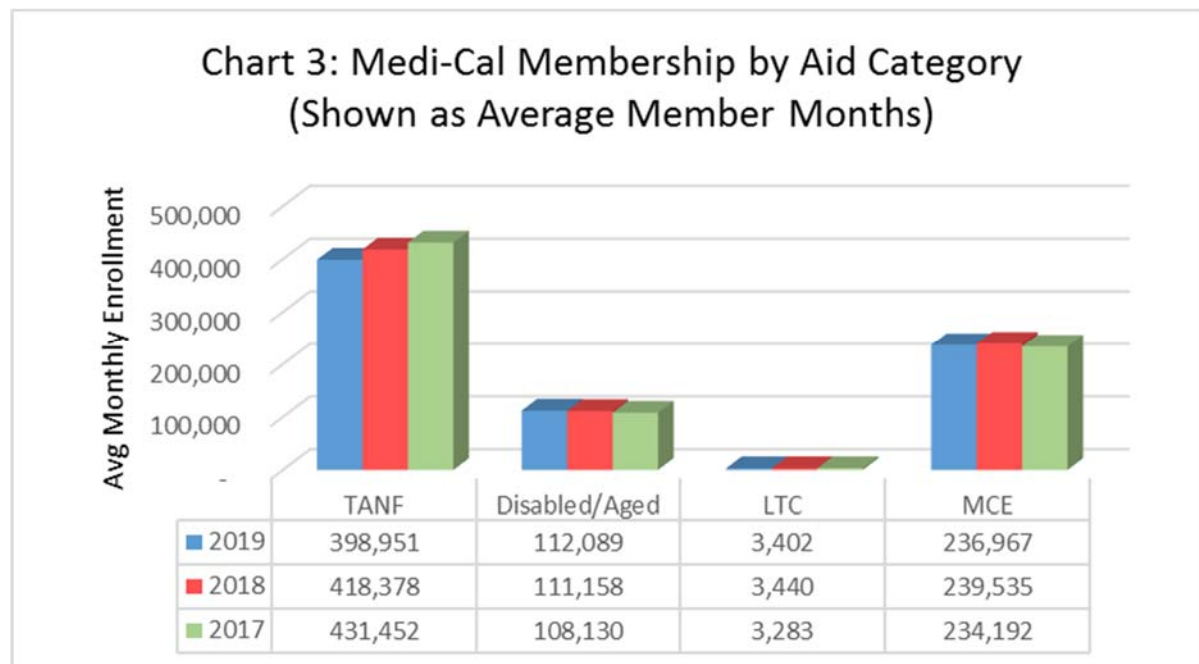


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**Orange County Health Authority, a Public Agency/
dba Orange Prevention and Treatment Integrated
Medical Assistance/dba CalOptima
Management’s Discussion and Analysis**

2019, 2018, and 2017 Enrollment

During fiscal year 2019, CalOptima served an average of 751,409 Medi-Cal members per month compared to an average of 772,511 members per month in 2018 and 777,057 members per month in 2017. The chart below displays a comparative view of average monthly membership by Medi-Cal aid category during 2019, 2018, and 2017:



Significant aid categories are defined as follows:

Temporary Assistance to Needy Families (TANF) includes families, children, and poverty-level members who qualify for the TANF federal welfare program, which provides cash aid and job-search assistance to poor families. TANF also includes members who migrated from CalOptima, Health Net, and Kaiser Healthy Family programs.

Disabled and Aged includes individuals who have met the criteria for disability set by the Social Security Administration, and individuals of 65 years of age and older who receive supplemental security income (SSI) checks, or are medically needy, or have an income of 100 percent or less of the federal poverty level.

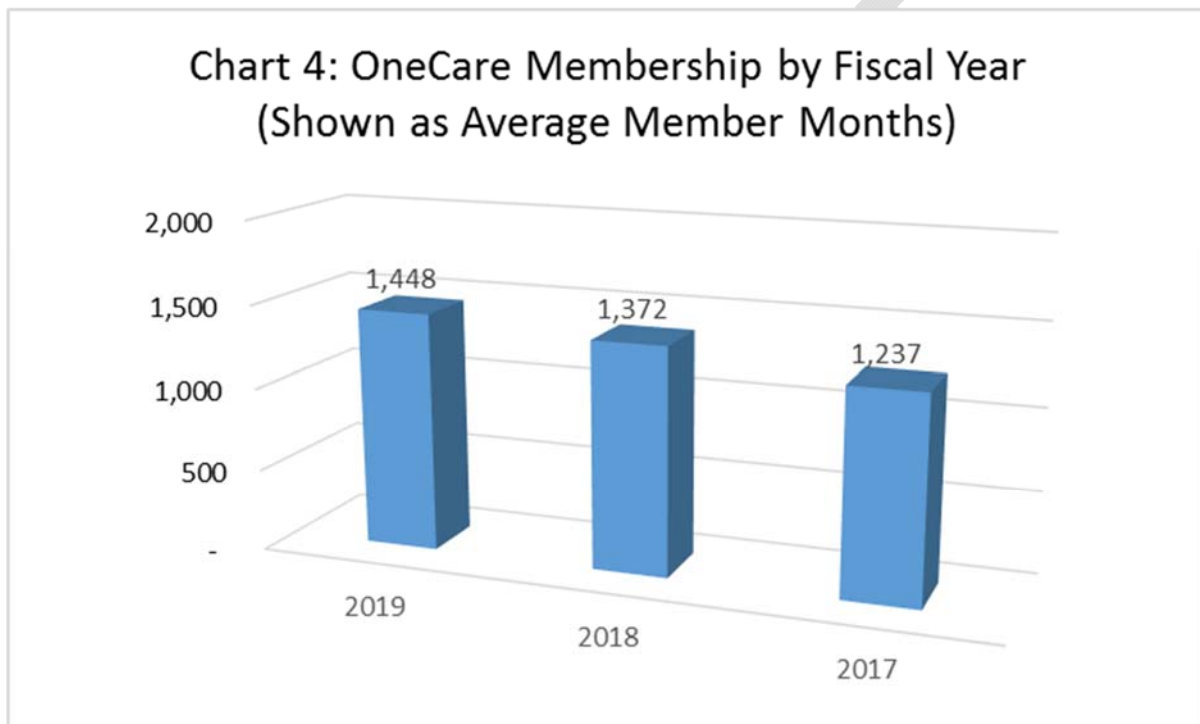
LTC includes frail elderly, nonelderly adults with disabilities, and children with developmental disabilities and other disabling conditions requiring long-term care services.

**Orange County Health Authority, a Public Agency/
dba Orange Prevention and Treatment Integrated
Medical Assistance/dba CalOptima
Management's Discussion and Analysis**

2019, 2018, and 2017 Enrollment (continued)

Medi-Cal Expansion (MCE) program includes adults without children, ages 19-64, qualified based upon income, as required by the Patient Protection and Affordable Care Act (ACA).

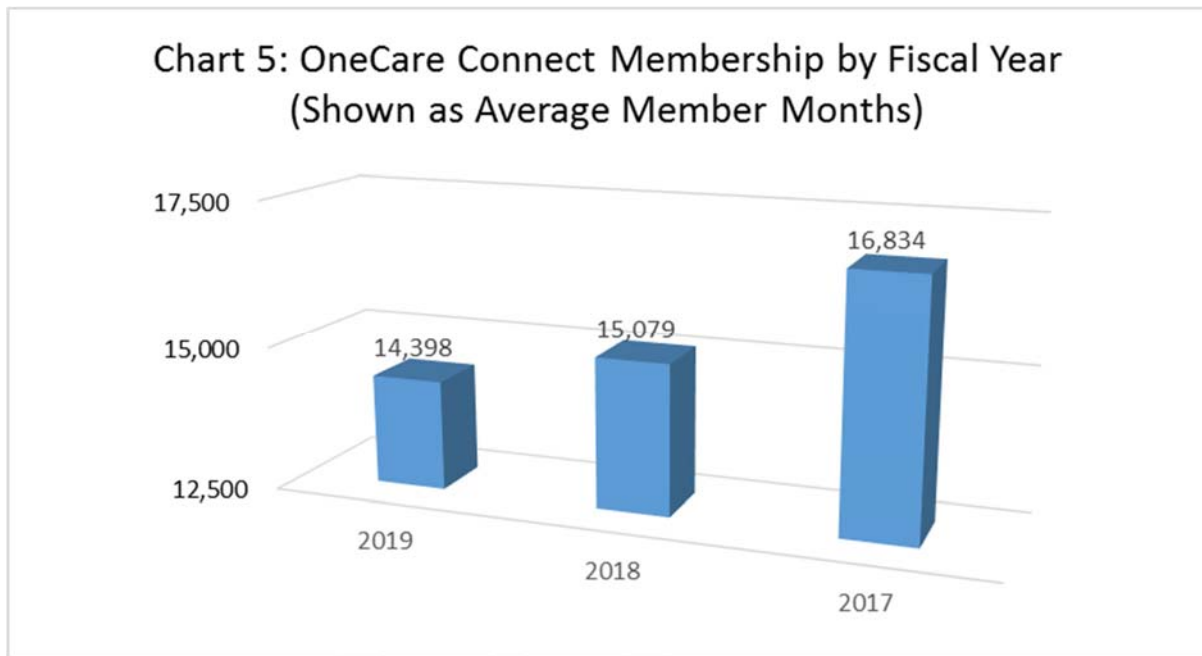
OneCare was introduced in fiscal year 2006 to service the unique Medicare Advantage Special Needs Plan. It provides a full range of health care services to average member months of 1,448, 1,372, and 1,237 for the years ended June 30, 2019, 2018, and 2017, respectively. Members are eligible for both the Medicare and Medi-Cal programs. The chart below displays the average member months for the past three years.



**Orange County Health Authority, a Public Agency/
dba Orange Prevention and Treatment Integrated
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Management's Discussion and Analysis**

2019, 2018, and 2017 Enrollment (continued)

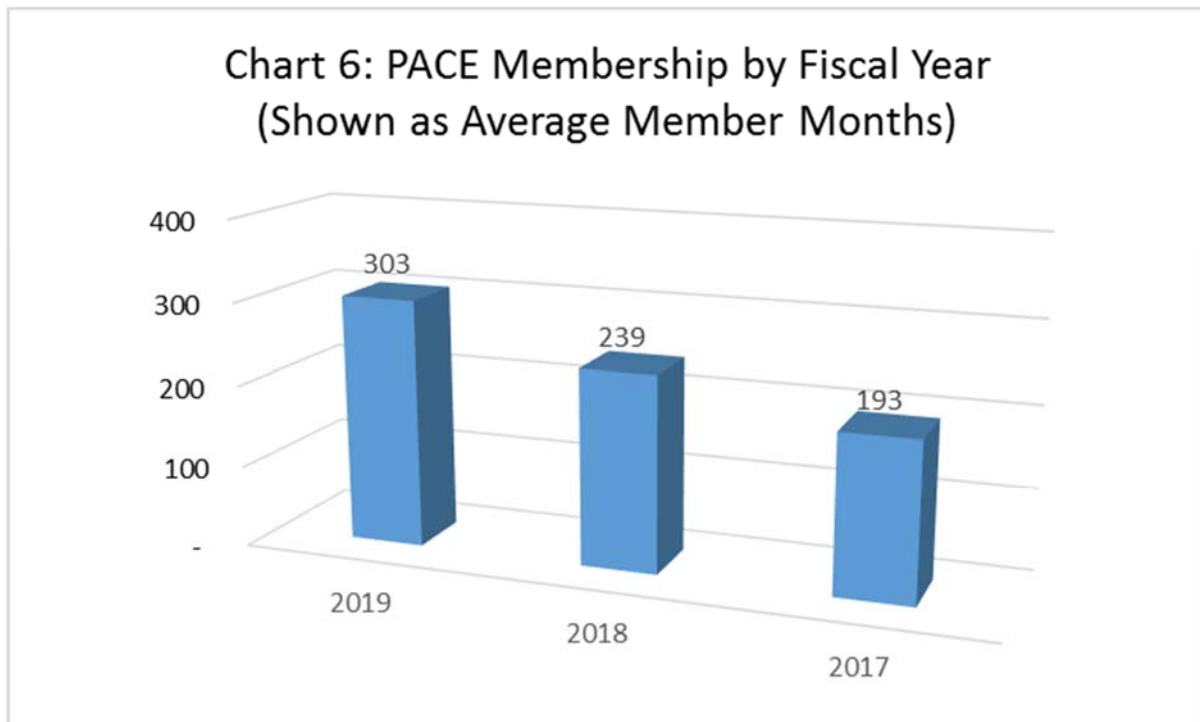
CalOptima launched OneCare Connect (OCC) program to serve dual eligible members in Orange County on July 1, 2015. This new program combines members' Medicare and Medi-Cal coverage and adds other benefits and supports. Average member months were 14,398 in fiscal year 2019. The chart below displays the average member months for the past three years.



**Orange County Health Authority, a Public Agency/
dba Orange Prevention and Treatment Integrated
Medical Assistance/dba CalOptima
Management's Discussion and Analysis**

2019, 2018, and 2017 Enrollment (continued)

PACE (Program of All-Inclusive Care for the Elderly) started operation in October 2013. It is a community-based Medicare and Medi-Cal program that provides coordinated and integrated health care services to frail elders to help them continue living independently in the community. It provides a full range of health care services to average member months of 303, 239, and 193 for the years ended June 30, 2019, 2018, and 2017, respectively. The chart below displays the average member months for the past three years.



Orange County Health Authority, a Public Agency/ dba Orange Prevention and Treatment Integrated Medical Assistance/dba CalOptima Management's Discussion and Analysis

Economic Factors and the State's Fiscal Year 2019-20 Budget

On June 27, 2019, Governor Gavin Newsom signed the Fiscal Year (FY) 2019-20 budget. The budget addresses risks while promoting investments to address affordability and economic opportunity for residents, builds budget resiliency and pays down unfunded retirement liabilities, promotes an effective government, and focuses on maintaining the state's fiscal health.

General Fund spending in the budget package is \$147.8 billion, an increase of \$5.1 billion or 3.6% from the FY 2018-19 budget. The budget includes \$23.7 billion in General Fund spending for the Medi-Cal program, representing a \$3.5 billion or 17.1% increase compared to last fiscal year. Major Medi-Cal policies adopted in the budget include: funding from Proposition 56 tobacco tax revenue to support Medi-Cal spending growth, expansion of full-scope Medi-Cal coverage to undocumented adults through age 25, restoration of previously eliminated Medi-Cal optional benefits, expansion of eligibility in the Medi-Cal Aged, Blind and Disabled program to 138% of the federal poverty level, and implementation of the Whole Person Care pilots.

The budget projects \$146.0 billion in General Fund revenues and transfers in FY 2019-20, an increase of \$4.4 billion or 3.1% compared to last fiscal year. The three largest General Fund taxes (i.e., personal income tax, sales and use tax, corporation tax) are projected to increase by 3.3%. The state is projected to end FY 2019-20 with \$16.5 billion in total reserves.

Requests for information – This financial report has been prepared in the spirit of full disclosure to provide the reader with an overview of CalOptima's operations. If the reader has questions or would like additional information about CalOptima Foundation, please direct the requests to CalOptima, 505 City Parkway West, Orange, CA 92868 or call 714.347.3237.

Report of Independent Auditors

The Board of Directors
Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance/dba CalOptima

Report on Financial Statements

We have audited the accompanying consolidated statements of net position of Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance/dba CalOptima (a discrete component unit of the County of Orange, California) (CalOptima), as of June 30, 2019 and 2018, and the related consolidated statements of revenues, expenses, and changes in net position and cash flows for the years ended June 30, 2019 and 2018, and the related notes to the consolidated financial statements, which collectively comprise CalOptima's basic consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CalOptima as of June 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of plan contributions, and schedule of changes in total OPEB liability and related ratios, as listed in the table of contents, be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Irvine, California

[DATE]

**Orange County Health Authority, a Public Agency/
dba Orange Prevention and Treatment Integrated
Medical Assistance/dba CalOptima
Consolidated Statements of Net Position**

	June 30,	
	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 347,627,785	\$ 370,932,987
Investments	573,706,297	580,298,949
Premiums due from the State of California	302,964,503	296,371,640
Prepaid expenses and other	54,765,005	31,076,723
Total current assets	1,279,063,590	1,278,680,299
BOARD-DESIGNATED ASSETS AND RESTRICTED CASH		
Cash and cash equivalents	72,711,832	26,682,953
Investments	547,433,576	511,564,720
Restricted deposit	300,000	300,000
	620,445,408	538,547,673
CAPITAL ASSETS, NET		
Total assets	46,624,892	50,758,254
	1,946,133,890	1,867,986,226
DEFERRED OUTFLOWS OF RESOURCES		
Net pension	10,534,449	10,573,050
Other postemployment benefit	556,000	560,000
Total deferred outflows of resources	11,090,449	11,133,050
Total assets and deferred outflows of resources	\$ 1,957,224,339	\$ 1,879,119,276

**Orange County Health Authority, a Public Agency/
dba Orange Prevention and Treatment Integrated
Medical Assistance/dba CalOptima
Consolidated Statements of Net Position (continued)**

	June 30,	
	2019	2018
CURRENT LIABILITIES		
Medical claims liability and capitation payable		
Medical claims liability	\$ 287,288,604	\$ 263,057,437
Provider capitation and withholds	108,903,139	96,448,891
Accrued reinsurance costs to providers	3,209,901	3,464,488
Due to State of California and the Centers for Medicare and Medicaid Services (CMS)	496,690,411	567,116,026
Unearned revenue	50,147,341	112,557,008
	<u>946,239,396</u>	<u>1,042,643,850</u>
Accounts payable and other	8,658,894	8,030,637
Accrued payroll and employee benefits and other	11,069,278	10,869,839
	<u>965,967,568</u>	<u>1,061,544,326</u>
POSTEMPLOYMENT HEALTH CARE PLAN	24,705,000	24,565,000
NET PENSION LIABILITY	23,602,064	25,100,820
OTHER LONG-TERM LIABILITIES	-	100,000
	<u>1,014,274,632</u>	<u>1,111,310,146</u>
DEFERRED INFLOWS OF RESOURCES		
Net pension	4,903,835	1,028,380
Other postemployment benefit	2,503,000	2,301,000
	<u>7,406,835</u>	<u>3,329,380</u>
NET POSITION		
Net investment in capital assets	46,580,380	50,637,437
Restricted by legislative authority	84,930,126	89,037,443
Unrestricted	804,032,366	624,804,870
	<u>935,542,872</u>	<u>764,479,750</u>
Total net position	<u>935,542,872</u>	<u>764,479,750</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,957,224,339</u>	<u>\$ 1,879,119,276</u>

**Orange County Health Authority, a Public Agency/
dba Orange Prevention and Treatment Integrated
Medical Assistance/dba CalOptima
Consolidated Statements of Revenues, Expenses, and Changes in Net Position**

	Years Ended June 30,	
	2019	2018
REVENUES		
Premium revenues	\$ 3,474,634,375	\$ 3,445,699,268
Total operating revenues	<u>3,474,634,375</u>	<u>3,445,699,268</u>
OPERATING EXPENSES		
Medical expenses		
Claims expense to providers and facilities	1,287,230,443	1,403,275,064
Provider capitation	1,094,332,595	1,068,367,719
Prescription drugs	445,721,355	442,312,644
OneCare Connect	293,947,460	302,761,410
Other medical	53,871,235	42,215,978
Pace	23,297,732	18,341,424
OneCare	18,272,703	14,437,586
Total medical expenses	<u>3,216,673,523</u>	<u>3,291,711,825</u>
Administrative expenses		
Salaries, wages and employee benefits	84,618,793	85,386,751
Supplies, occupancy, insurance and other	22,975,749	25,070,349
Purchased services	12,584,719	11,460,353
Depreciation	7,226,723	7,499,203
Professional fees	3,167,619	2,430,578
Total administrative expenses	<u>130,573,603</u>	<u>131,847,234</u>
Total operating expenses	<u>3,347,247,126</u>	<u>3,423,559,059</u>
OPERATING INCOME	<u>127,387,249</u>	<u>22,140,209</u>
NON-OPERATING REVENUES (EXPENSES)		
Net investment income and other	43,675,873	21,714,051
Rental income, net of related expenses	-	1,985,919
Total non-operating revenues, net and expenses	<u>43,675,873</u>	<u>23,699,970</u>
Increase in net position	171,063,122	45,840,179
NET POSITION, beginning of year	<u>764,479,750</u>	<u>718,639,571</u>
NET POSITION, end of year	<u>\$ 935,542,872</u>	<u>\$ 764,479,750</u>

**Orange County Health Authority, a Public Agency/
dba Orange Prevention and Treatment Integrated
Medical Assistance/dba CalOptima
Consolidated Statements of Cash Flows**

	Years Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Capitation payments received and other	\$ 3,335,206,230	\$ 3,403,621,939
Payments to providers and facilities	(3,180,342,695)	(3,941,938,764)
Payments to vendors	(61,188,697)	(45,346,595)
Payments to employees	(81,658,054)	(74,227,628)
Net cash provided by (used in) operating activities	<u>12,016,784</u>	<u>(657,891,048)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(3,692,776)	(3,956,422)
Net cash used in capital and related financing activities	<u>(3,692,776)</u>	<u>(3,956,422)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	49,387,239	28,891,325
Purchases of securities	(13,023,305,579)	(12,243,048,906)
Sales of securities	12,942,289,130	12,736,875,055
Net cash (used in) provided by investing activities	<u>(31,629,210)</u>	<u>522,717,474</u>
Net decrease in cash and cash equivalents	<u>(23,305,202)</u>	<u>(139,129,996)</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>370,932,987</u>	<u>510,062,983</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 347,627,785</u>	<u>\$ 370,932,987</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 127,387,249	\$ 22,140,209
ADJUSTMENT TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Depreciation	7,826,138	7,499,203
Changes in assets and liabilities		
Premiums due from the State of California	(6,592,863)	226,422,065
Prepaid expenses and other	(23,688,282)	(4,692,045)
Medical claims liability	24,231,167	(163,619,308)
Provider capitation and withholds	12,354,248	(484,390,819)
Accrued reinsurance costs to providers	(254,587)	(2,216,812)
Due to State of California and CMS	(70,425,615)	(278,772,167)
Unearned revenue	(62,409,667)	10,272,773
Accounts payable and other	628,257	(1,693,270)
Accrued payroll and employee benefits and other	199,439	768,606
Postemployment health care plan	346,000	28,000
Net pension liability	2,415,300	10,362,517
Net cash provided by (used in) operating activities	<u>\$ 12,016,784</u>	<u>\$ (657,891,048)</u>
SUPPLEMENTAL SCHEDULE OF NON-CASH OPERATING AND INVESTING ACTIVITIES		
Change in unrealized appreciation on investments	<u>\$ 4,652,813</u>	<u>\$ (5,492,336)</u>

**Orange County Health Authority, a Public Agency/
dba Orange Prevention and Treatment Integrated
Medical Assistance/dba CalOptima
Notes to Consolidated Financial Statements**

Note 1 – Organization

Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance/dba CalOptima (“CalOptima”), is a county-organized health system (COHS) serving primarily Medi-Cal beneficiaries in Orange County, California. Pursuant to the California Welfare and Institutions Code, CalOptima was formed by the Orange County Board of Supervisors as a public/private partnership through the adoption of Ordinance No. 3896 in August 1992. The agency began operations in October 1995.

As a COHS, CalOptima maintains an exclusive contract with the State of California Department of Health Care Services (DHCS) to arrange for the provision of health care services to Orange County’s Medi-Cal beneficiaries. Orange County had approximately 744,000 and 764,000 Medi-Cal beneficiaries for the years ended June 30, 2019 and 2018, respectively. CalOptima also offers OneCare, a Medicare Advantage Special Needs Plan, via a contract with the Centers for Medicare, and Medicaid Services (CMS). OneCare served approximately 1,500 and 1,400 members eligible for both Medicare and Medi-Cal for the years ended June 30, 2019 and 2018, respectively. In January 2016, CalOptima began offering OneCare Connect Cal MediConnect Plan (OCC), a Medicare-Medicaid Plan, via a contract with CMS. OCC served approximately 14,000 and 15,000 members eligible for both Medicare and Medi-Cal for the years ended June 30, 2019 and 2018, respectively. In January 2016, CalOptima began transferring subscribers from OneCare to the OneCare Connect Cal MediConnect Plan. CalOptima also contracts with the California Department of Aging to provide case management of social and health care services to approximately 300 Medi-Cal eligible seniors under California’s Multipurpose Senior Services program. The Program of All-inclusive Care for the Elderly (PACE) provides services to 55 years of age or older members who reside in the PACE service area and meet California nursing facility level of care requirements. The program receives Medicare and Medi-Cal funding.

CalOptima in turn subcontracts the delivery of health care services through health maintenance organizations and provider-sponsored organizations, known as Physician/Hospital Consortia, and Shared Risk Groups. Additionally, CalOptima has direct contracts with hospitals and providers for its fee-for-service network.

CalOptima is Knox-Keene licensed for purposes of its Medicare programs and is subject to certain provisions of the Knox-Keene Act to the extent incorporated by reference into CalOptima’s contract with DHCS. As such, CalOptima is subject to the regulatory requirements of the Department of Managed Health Care under Section 1300, Title 28 of the California Administrative Code of Regulations, including minimum requirements of Tangible Net Equity, which CalOptima exceeded as of June 30, 2019 and 2018.

CalOptima Foundation (the “Foundation”) was formed as a not-for-profit benefit corporation in 2010 dedicated to the betterment of public health care services in Orange County. The Foundation Board of Directors approved the dissolution of the Foundation in May 2019, and all assets of the Foundation were transferred back to CalOptima. CalOptima has sole control over the activities of the Foundation and as such, the activities of the Foundation are included in the consolidated financial statements of CalOptima.

Orange County Health Authority, a Public Agency/ dba Orange Prevention and Treatment Integrated Medical Assistance/dba CalOptima Notes to Consolidated Financial Statements

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – CalOptima is a county-organized health system governed by a 10-member Board of Directors appointed by the Orange County Board of Supervisors. The CalOptima Board of Directors also serves as the Board of Directors of the Foundation. Effective for the fiscal year ended June 30, 2014, CalOptima began reporting as a discrete component unit of the County of Orange, California. The County made this determination based on the County Board of Supervisors' role in appointing all members of the CalOptima Board of Directors.

Principle of consolidation – The consolidated financial statements include the accounts of CalOptima and the Foundation (collectively referred to herein as the “Organization”).

Basis of accounting – CalOptima uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. The accompanying consolidated financial statements have been prepared in accordance with the standards of the Governmental Accounting Standards Board (GASB).

Use of estimates – The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents – The Organization considers all highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

Investments – Investments are stated at fair value in accordance with GASB Codification Section 150. The fair value of investments is estimated based on quoted market prices, when available. For debt securities not actively traded, fair values are estimated using values obtained from external pricing services or are estimated by discounting the expected future cash flows using current market rates applicable to the coupon rate, credit, and maturity of the investments.

All investments with an original maturity of one year or less when purchased are recorded as current investments, unless designated or restricted.

Board-designated assets and restricted cash – Board-designated assets include amounts designated by CalOptima's Board of Directors for the establishment of certain reserve funds for contingencies at a desired level between 1.4 and 2 months of premium revenues, and amounts designated by the Board of Directors for CalOptima's homeless health initiative (see Note 3). Restricted cash represents a \$300,000 restricted deposit required by CalOptima as part of the Knox-Keene Health Care Service Plan Act (the Act) of 1975 (see Note 9).

**Orange County Health Authority, a Public Agency/
dba Orange Prevention and Treatment Integrated
Medical Assistance/dba CalOptima
Notes to Consolidated Financial Statements**

Note 2 – Summary of Significant Accounting Policies (continued)

Capital assets – Capital assets are stated at cost at the date of acquisition. The costs of normal maintenance, repairs and minor replacements are charged to expense when incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Long-lived assets are periodically reviewed for impairment. The following estimated useful lives are used:

	Years
Furniture	5 years
Vehicles	5 years
Computers and software	3 years
Leasehold improvements	15 years or life of lease, whichever is less
Building	40 years
Building components	10 to 30 years
Land improvements	8 to 25 years
Tenant improvements	7 years or life of lease, whichever is less

Fair value of financial instruments – The consolidated financial statements include financial instruments for which the fair market value may differ from amounts reflected on a historical basis. Financial instruments of the Organization consist of cash deposits, investments, premium receivable, accounts payable, and certain accrued liabilities. The Organization’s other financial instruments generally approximate fair market value based on the relatively short period of time between origination of the instruments and their expected realization.

Medical claims liability and expenses – CalOptima establishes a claims liability based on estimates of the ultimate cost of claims in process and a provision for incurred but not yet reported (IBNR) claims, which is actuarially determined based on historical claim payment experience and other statistics. Such estimates are continually monitored and analyzed with any adjustments made as necessary in the period the adjustment is determined. CalOptima retains an outside actuary to perform an annual review of the actuarial projections. Amounts for claims payment incurred related to prior years vary from previously estimated liabilities as the claims ultimately are settled.

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Note 2 – Summary of Significant Accounting Policies (continued)

Provider capitation and withholds – CalOptima has provider services agreements with several health networks in Orange County, whereby the health networks provide care directly to covered members or through subcontracts with other health care providers. Payment for the services provided by the health networks is on a fully capitated basis. The capitation amount is based on contractually agreed-upon terms with each health network. CalOptima withholds amounts from providers at an agreed-upon percentage of capitation payments made to ensure the financial solvency of each contract. CalOptima also records a liability related to quality incentive payments and risk-share provisions. The quality incentive liability is estimated based on member months and rates agreed upon by the Board of Directors. For the risk-share provision liability, management allocates surplus or deficits, multiplied by a contractual rate, with the shared-risk groups. Estimated amounts due to health networks pertaining to risk-share provisions were approximately \$40,167,000 and \$44,660,000 as of June 30, 2019 and 2018, respectively, and are included in provider capitation and withholds on the consolidated statements of net position. During the years ended June 30, 2019 and 2018, CalOptima incurred approximately \$1,243,391,000 and \$1,212,059,000, respectively, of capitation expense relating to health care services provided by health networks. Capitation expense is included in the provider capitation, OneCare Connect, and OneCare line items in the consolidated statements of revenues, expenses, and changes in net position. Estimated amounts due to health networks as of June 30, 2019 and 2018, related to the capitation withhold arrangements, quality incentive payments, and risk-share provisions were approximately \$108,903,000 and \$96,449,000, respectively.

Premium deficiency reserves – CalOptima performs periodic analyses of its expected future health care costs and maintenance costs to determine whether such costs will exceed anticipated future revenues under its contracts. Should expected costs exceed anticipated revenues, a premium deficiency reserve is accrued. Investment income is not included in the calculation to estimate premium deficiency reserves. CalOptima's management determined that no premium deficiency reserves were necessary as of June 30, 2019 and 2018.

Accrued compensated absences – CalOptima's policy permits employees who are regularly scheduled to work more than 20 hours per week to accrue 18 days of paid time off (PTO) (23 days for exempt employees) based on their years of continuous service, with an additional week of accrual after three years of service and another after 10 years of service. Unused PTO may be carried over into subsequent years, not to exceed two and a half times the annual accrual. If an employee reaches his/her PTO maximum accrual, a portion of the accrued PTO equal to half of the employees' annual PTO accruals will be automatically paid out to the employees. Accumulated PTO will be paid to the employees upon separation from service with CalOptima. All compensated absences are accrued and recorded in accordance with GASB Codification Section C60 and are included in accrued payroll and employee benefits.

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Note 2 – Summary of Significant Accounting Policies (continued)

Net position – Net position is reported in three categories, defined as follows:

- **Net investment in capital assets** – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation, and is reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable (if any) to the acquisition, construction, or improvement of those assets.
- **Restricted by legislative authority** – This component of net position consists of external constraints placed on net asset use by creditors (such as through debt covenants), grantors, contributors, or the law or regulations of other governments. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation (see Note 9).
- **Unrestricted** – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets, net of related debt.”

Operating revenues and expenses – CalOptima’s consolidated statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with arranging for the provision of health care services. Operating expenses are all expenses incurred to arrange for the provision of health care services as well as the costs of administration. Unpaid claims adjustment expenses are an estimate of the cost to process the IBNR claims and are included in operating expenses. Non-exchange revenues and expenses are reported as nonoperating revenues and expenses.

Revenue recognition and due to or from the State of California and CMS – Premium revenue is recognized in the period the members are eligible to receive health care services. Premium revenue is generally received from the State of California (the State) each month following the month of coverage based on estimated enrollment and capitation rates as provided for in the State contract. As such, premium revenue includes an estimate for amounts receivable from or refundable to the State for these retrospective adjustments. These estimates are continually monitored and analyzed, with any adjustments recognized in the period when determined. OneCare premium revenue is generally received from CMS each month for the month of coverage. Premiums received in advance are recorded in unearned revenue on the consolidated statements of net position. Included in premium revenue are retroactive adjustments favorable to CalOptima in the amount of approximately \$104,724,000 and \$75,511,000 related to retroactive capitation rate adjustments and receipt of new information from DHCS during the years ended June 30, 2019 and 2018, respectively.

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Note 2 – Summary of Significant Accounting Policies (continued)

The State pays CalOptima premium revenue retrospectively on an estimated basis each month. Premium revenue is recognized as revenue in the month the beneficiary is eligible for Medi-Cal services. These estimates are continually reviewed, and adjustments to the estimates are reflected currently in the consolidated statements of revenues, expenses, and changes in net position. Eligibility of beneficiaries is determined by DHCS and validated by the State. The State provides CalOptima the validated monthly eligibility file of program beneficiaries who are continuing, newly added, or terminated from the program in support of premium revenue for the respective month.

Effective with the enrollment of the Medi-Cal expansion population per the Affordable Care Act (ACA), CalOptima is subject to DHCS requirements to meet the minimum 85% medical loss ratio (MLR) for this population. Specifically, CalOptima will be required to expend at least 85% of the Medi-Cal premium revenue received for this population on allowable medical expenses as defined by DHCS. In the event CalOptima expends less than the 85% requirement, CalOptima will be required to return to DHCS the difference between the minimum threshold and the actual allowed medical expenses. CalOptima's contract with CMS and DHCS requires for CalOptima to perform and submit the MLR calculations for periods beginning July 1, 2017 to DHCS. During 2018, DHCS completed their reconciliation of the MLR calculation for fiscal years 2014 through 2016. Based on the results of the reconciliation, CalOptima paid back premium revenue of approximately \$102,000,000 during the year ended June 30, 2019. In April 2019, CalOptima was notified that CMS will be performing their own reconciliation of the MLR data. As of June 30, 2019 and 2018, approximately \$125,563,000 and \$227,362,000 was accrued, respectively. This liability is presented in the Due to State of California line item in the accompanying consolidated statements of net position.

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Note 2 – Summary of Significant Accounting Policies (continued)

Premium revenue and related net receivables as a percent of the totals were as follows:

	Years Ended June 30,			
	2019		2018	
	Revenue	%	Revenue	%
Revenue				
Medi-Cal	\$ 3,134,181,615	90.2%	\$ 3,093,733,298	89.8%
OneCare	20,613,604	0.6%	15,943,378	0.5%
OneCare Connect	292,428,409	8.4%	315,219,443	9.1%
PACE	27,410,747	0.8%	20,803,149	0.6%
	<u>\$ 3,474,634,375</u>	<u>100.0%</u>	<u>\$ 3,445,699,268</u>	<u>100.0%</u>
	As of June 30,			
	2019		2018	
	Receivables	%	Receivables	%
Receivables				
Medi-Cal	\$ 290,217,790	95.8%	\$ 279,765,285	94.4%
OneCare	-	0.0%	414,035	0.1%
OneCare Connect	10,638,887	3.5%	12,791,802	4.3%
PACE	2,107,826	0.7%	3,400,518	1.2%
	<u>\$ 302,964,503</u>	<u>100.0%</u>	<u>\$ 296,371,640</u>	<u>100.0%</u>

Intergovernmental transfer – CalOptima entered into an agreement with DHCS and Governmental Funding Entities to receive an intergovernmental transfer (IGT) through a capitation rate increase of approximately \$124,714,000 and \$130,700,000 during the years ended June 30, 2019 and 2018, respectively. Under the agreement, approximately \$81,951,000 and \$99,600,000 of the funds that were received from the IGT were passed through to Governmental Funding Entities and other contracted providers and organizations during the years ended June 30, 2019 and 2018, respectively. Under GASB, the amounts that will be passed through to Governmental Funding Entities are not reported in the consolidated statements of revenues, expenses, and changes in net position or the consolidated statements of net position. CalOptima accounts for the IGT transfer for CalOptima purposes as an exchange transaction requiring funds to be expended prior to revenue recognition. CalOptima retains a portion of the IGT, which must be used to enhance provider reimbursement rates and strengthen the delivery system. A retainer in the amount of approximately \$45,565,000 and \$50,564,000 as of June 30, 2019 and 2018, respectively, is included in unearned revenues in the consolidated statements of net position.

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Note 2 – Summary of Significant Accounting Policies (continued)

Medicare Part D – CalOptima covers prescription drug benefits in accordance with Medicare Part D under multiple contracts with CMS. The payments CalOptima receives monthly from CMS and members, which are determined from its annual bid, represent amounts for providing prescription drug insurance coverage. CalOptima recognizes premiums for providing this insurance coverage ratably over the term of its annual contract. CalOptima's CMS payment is subject to risk sharing through the Medicare Part D risk corridor provisions. In addition, receipts for reinsurance and low-income cost subsidies, as well as receipts for certain discounts on brand name prescription drugs in the coverage gap represent payments for prescription drug costs for which CalOptima is not at risk.

The risk corridor provisions compare costs targeted in CalOptima's bids to actual prescription drug costs, limited to actual costs that would have been incurred under the standard coverage as defined by CMS. Variances exceeding certain thresholds may result in CMS making additional payments to CalOptima or require CalOptima to refund to CMS a portion of the premiums CalOptima received. CalOptima estimates and recognizes an adjustment to premiums revenue related to these risk corridor provisions based upon pharmacy claims experience to date as if the annual contract were to terminate at the end of the reporting period. Accordingly, this estimate provides no consideration to future pharmacy claims experience. CalOptima records a receivable or payable at the contract level and classifies the amount as current or long-term in the accompanying consolidated statements of net position based on the timing of expected settlement. As of June 30, 2019 and 2018, the Part D payable balance was approximately \$1,240,000 and \$1,374,000, respectively, and the Part D receivable balance was approximately \$23,148,000 and \$15,114,000, respectively.

Income taxes – CalOptima operates under the purview of the Internal Revenue Code, Section 501(a), and corresponding California Revenue and Taxation Code provisions. As such, CalOptima is not subject to federal or state taxes on related income. The Foundation is operated as a tax-exempt organization under Section 501(c)(3) of the federal Internal Revenue Code and applicable sections of the California statutes. Accordingly, no provision for income tax has been recorded in the accompanying consolidated financial statements.

Premium taxes – Effective July 1, 2016, Senate Bill X2-2 (SB X2-2) *Managed Care Organization Tax* authorized Department of Health Care Services (DHCS) to implement a Managed Care Organization provider tax subject to approval by the federal Centers for Medicare and Medicaid Services. This approved tax structure is based on enrollment (total member months) between specified tiers that are assessed different tax rates. Using the approved structure, each MCO's total tax liability for years ended June 30, 2019 and 2018, were calculated. CalOptima recognized premium tax expense of approximately \$136,649,000 and \$143,156,000 as a reduction of premium revenues in the consolidated statements of revenue, expenses, and change in net position for the years ended June 30, 2019 and 2018, respectively.

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Note 2 – Summary of Significant Accounting Policies (continued)

Pensions – For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of CalOptima's California Public Employees' Retirement System Plan (the "CalPERS Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Reclassifications – Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Recent accounting pronouncements – In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The principal objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. This Statement is effective for the Organization for the year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for the Organization for the year ending June 30, 2021.

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Note 3 – Cash and Investments

Cash and investments are reported in the June 30 consolidated statements of net position as follows:

	June 30,	
	2019	2018
Current assets:		
Cash and cash equivalents	\$ 347,627,785	\$ 370,932,987
Investments	573,706,297	580,298,949
Board-designated assets and restricted cash:		
Cash and cash equivalents	72,711,832	26,682,953
Investments	547,433,576	511,564,720
Restricted deposit	300,000	300,000

Board-designated assets and restricted cash are available for the following purposes:

	June 30,	
	2019	2018
Board-designated assets and restricted cash:		
Contingency reserve fund	\$ 560,145,408	\$ 478,247,673
Homeless fund	60,000,000	60,000,000
Restricted deposit with DMHC	300,000	300,000
	<u>\$ 620,445,408</u>	<u>\$ 538,547,673</u>

Custodial credit risk-deposits – Custodial credit risk is the risk that in the event of a bank failure the Organization may not be able to recover its deposits or collateral securities that are in the possession of an outside party. The California Government Code requires that a financial institution secure deposits made by public agencies by pledging securities in an undivided collateral pool held by a depository regulated under the state law. As of June 30, 2019 and 2018, no deposits were exposed to custodial credit risk, as the Organization has pledged collateral to cover the amounts.

Investments – CalOptima invests in obligations of the U.S. Treasury, other U.S. government agencies and instrumentalities, state obligations, corporate securities, money market funds, and mortgage or asset-backed securities.

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Note 3 – Cash and Investments (continued)

Interest rate risk – In accordance with its annual investment policy (investment policy), CalOptima manages its exposure to decline in fair value from increasing interest rates by matching maturity dates to the extent possible with CalOptima’s expected cash flow draws. Its investment policy limits maturities to five years, while also staggering maturities. CalOptima maintains a low-duration strategy, targeting a portfolio duration of three years or less, with the intent of reducing interest rate risk. Portfolios with low duration are less volatile because they are less sensitive to interest rate changes. As of June 30, 2019 and 2018, CalOptima’s investments, including cash equivalents, had the following modified duration:

Investment Type	June 30, 2019			
	Fair Value	Investment Maturities (In Years)		
		Less Than 1	1-5	More Than 5
U.S. Treasury notes	\$ 352,752,967	\$ 177,383,066	\$ 175,369,901	\$ -
U.S. Agency notes	134,989,426	74,775,657	60,213,769	-
Corporate bonds	314,560,151	104,094,228	210,465,923	-
Asset-backed securities	115,144,277	24,318,946	90,825,331	-
Mortgage-backed securities	50,497,865	8,700,919	41,796,946	-
Municipal bonds	76,245,379	32,692,354	43,553,025	-
Supranational	51,319,797	10,022,104	41,297,693	-
Commercial paper	19,932,870	19,932,870	-	-
Cash equivalents	327,611,350	303,607,437	24,003,913	-
Cash	8,572,533	8,572,533	-	-
		<u>\$ 764,100,114</u>	<u>\$ 687,526,501</u>	<u>\$ -</u>
Accrued interest receivable	<u>5,711,366</u>			
	<u>\$ 1,457,337,981</u>			

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Note 3 – Cash and Investments (continued)

Investment Type	June 30, 2018			
	Fair Value	Investment Maturities (In Years)		
		Less Than 1	1-5	More Than 5
U.S. Treasury notes	\$ 340,360,989	\$ 209,773,924	\$ 130,587,065	\$ -
U.S. Agency notes	97,566,400	53,950,111	43,616,289	-
Corporate bonds	325,476,437	150,685,261	174,791,176	-
Asset-backed securities	98,081,726	40,122,896	57,958,830	-
Mortgage-backed securities	60,653,460	33,330,235	27,323,225	-
Municipal bonds	109,676,060	47,033,412	62,642,648	-
Supranational	27,385,479	11,916,356	15,469,123	-
Certificates of deposit	4,991,291	4,991,291	-	-
Commercial paper	22,564,481	22,564,481	-	-
Cash equivalents	335,013,724	335,013,724	-	-
Cash	1,375,213	1,375,213	-	-
		<u>\$ 910,756,904</u>	<u>\$ 512,388,356</u>	<u>\$ -</u>
Accrued interest receivable	<u>5,191,355</u>			
	<u>\$ 1,428,336,615</u>			

Investment with fair values highly sensitive to interest rate fluctuations – When interest rates fall, debt is refinanced and paid off early. The reduced stream of future interest payments diminishes the fair value of the investment. The mortgage-backed and asset-backed securities in the CalOptima portfolio are of high credit quality, with relatively short average lives that represent limited prepayment and interest rate exposure risk. CalOptima’s investments include the following investments that are highly sensitive to interest rate and prepayment fluctuations to a greater degree than already indicated in the information provided above:

	June 30,	
	2019	2018
Asset-backed securities	\$ 115,144,277	\$ 98,081,726
Mortgage-backed securities	<u>50,497,865</u>	<u>60,653,460</u>
	<u>\$ 165,642,142</u>	<u>\$ 158,735,186</u>

**Orange County Health Authority, a Public Agency/
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Note 3 – Cash and Investments (continued)

Credit risk – CalOptima’s investment policy conforms to the California Government Code as well as to customary standards of prudent investment management. Credit risk is mitigated by investing in only permitted investments. The investment policy sets minimum acceptable credit ratings for investments from the three nationally recognized rating services: Standard and Poor’s Corporation (S&P), Moody’s Investor Service (Moody’s), and Fitch Ratings (Fitch). For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody’s), or F-1 (Fitch), while an issuer of long-term debt shall be rated no less than an “A.”

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**Orange County Health Authority, a Public Agency/
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Note 3 – Cash and Investments (continued)

As of June 30, 2019, following are the credit ratings of investments and cash equivalents:

Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year-End					
				AAA	Aa & Aa+	Aa-	A+	A	A-
U.S. Treasury notes	\$ 399,269,103	N/A	\$ 399,269,103	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Agency notes	268,824,494	N/A	268,824,494	-	-	-	-	-	-
Corporate bonds	278,900,937	A-	-	507,778	12,097,150	40,140,811	70,968,175	91,142,880	64,044,143
Floating-rate note securities	83,274,478	A-	-	37,475,037	5,000,508	7,686,165	10,402,994	11,561,955	11,147,819
Asset-backed securities	86,471,404	AAA	-	86,014,136	457,268	-	-	-	-
Mortgage-backed securities	79,449,452	AAA	-	79,449,452	-	-	-	-	-
Municipal bonds	82,794,419	A	-	9,954,332	33,041,505	23,666,163	10,161,752	5,244,954	725,713
Supranational	17,332,313	AAA	-	17,332,313	-	-	-	-	-
Certificates of deposit	38,245,312	A1/P1	-	38,245,312	-	-	-	-	-
Commercial paper	78,248,965	A1/P1	-	78,248,965	-	-	-	-	-
Money market mutual funds	44,527,104	AAA	-	44,527,104	-	-	-	-	-
Total	\$ 1,457,337,981		\$ 668,093,597	\$ 391,754,429	\$ 50,596,431	\$ 71,493,139	\$ 91,532,921	\$ 107,949,789	\$ 75,917,675

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Note 3 – Cash and Investments (continued)

As of June 30, 2018, following are the credit ratings of investments and cash equivalents:

Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year-End					
				AAA	Aa & Aa+	Aa-	A+	A	A-
U.S. Treasury notes	\$ 424,083,688	N/A	\$ 424,083,688	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Agency notes	140,852,307	N/A	140,852,307	-	-	-	-	-	-
Corporate bonds	267,655,812	A-	-	2,096,170	20,135,711	32,266,114	70,432,536	100,078,443	42,646,838
Floating-rate note securities	119,715,104	A-	-	47,187,008	3,581,153	7,419,691	19,960,470	22,322,066	19,244,716
Asset-backed securities	147,203,018	AAA	-	100,674,207	20,251,534	19,999,921	1,000,903	2,856,173	2,420,280
Mortgage-backed securities	60,754,477	AAA	-	60,754,477	-	-	-	-	-
Municipal bonds	65,961,981	A	-	4,807,874	38,071,549	12,515,979	9,074,505	1,006,522	485,552
Supranational	15,384,685	AAA	-	15,384,685	-	-	-	-	-
Certificates of deposit	5,053,486	A1/P1	-	5,053,486	-	-	-	-	-
Commercial paper	64,431,291	A1/P1	-	64,431,291	-	-	-	-	-
Money market mutual funds	117,240,766	AAA	-	117,240,767	-	-	-	-	-
Total	\$ 1,428,336,615		\$ 564,935,995	\$ 417,629,965	\$ 82,039,947	\$ 72,201,705	\$ 100,468,414	\$ 126,263,204	\$ 64,797,386

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Note 3 – Cash and Investments (continued)

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of CalOptima’s investment in a single issuer. CalOptima’s investment policy limits to no more than 5 percent of the total fair value of investments in the securities of any one issuer, except for obligations of the U.S. government, U.S. government agencies, or government-sponsored enterprises, and no more than 10 percent may be invested in one money market mutual fund unless approved by the governing board. The investment policy also places a limit of 35 percent of the amount of investment holdings with any one government-sponsored issuer and 5 percent of all other issuers. As of June 30, 2019 and 2018, all holdings complied with the foregoing limitations. The following holdings exceeded 5 percent of the portfolio as of June 30, 2019 and 2018:

Investment Type	Issuer	Percentage of Portfolio June 30,	
		2019	2018
U.S. Treasury notes	United States Treasury	29.12	30.42
U.S. Agency notes	Federal Home Loan Bank	14.11	4.31

The Organization categorizes its fair value investments within the fair value hierarchy established by US GAAP. The hierarchy for fair value measurements is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 – Significant unobservable inputs.

The following is a description of the valuation methodologies used for instruments at fair value on a recurring basis and recognized in the accompanying consolidated statements of net position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Marketable securities – Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. These securities are classified within Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

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Note 3 – Cash and Investments (continued)

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall:

Investment Assets at Fair Value as of June 30, 2019				
	Level 1	Level 2	Level 3	Total
U.S. Treasury notes	\$ 352,752,967	\$ -	\$ -	\$ 352,752,967
U.S. Agency notes	-	134,989,426	-	134,989,426
Corporate bonds	-	314,560,151	-	314,560,151
Asset-backed securities	-	115,144,277	-	115,144,277
Mortgage-backed securities	-	50,497,865	-	50,497,865
Municipal bonds	-	76,245,379	-	76,245,379
Supranational	-	51,319,797	-	51,319,797
Commercial paper	-	19,932,870	-	19,932,870
	<u>\$ 352,752,967</u>	<u>\$ 762,689,765</u>	<u>\$ -</u>	<u>\$ 1,115,442,732</u>

Investment Assets at Fair Value as of June 30, 2018				
	Level 1	Level 2	Level 3	Total
U.S. Treasury notes	\$ 340,360,989	\$ -	\$ -	\$ 340,360,989
U.S. Agency notes	-	97,566,400	-	97,566,400
Corporate bonds	-	325,476,437	-	325,476,437
Asset-backed securities	-	98,081,726	-	98,081,726
Mortgage-backed securities	-	60,653,460	-	60,653,460
Municipal bonds	-	109,676,060	-	109,676,060
Supranational	-	27,385,479	-	27,385,479
Commercial deposits	-	4,991,291	-	4,991,291
Commercial paper	-	22,564,481	-	22,564,481
	<u>\$ 340,360,989</u>	<u>\$ 746,395,334</u>	<u>\$ -</u>	<u>\$ 1,086,756,323</u>

**Orange County Health Authority, a Public Agency/
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Note 4 – Capital Assets

Capital assets activity during the year ended June 30, 2019, consisted of the following:

	June 30, 2018	Additions	Retirements	Transfers	June 30, 2019
Capital assets not being depreciated:					
Land	\$ 5,876,002	\$ -	\$ -	\$ -	\$ 5,876,002
Construction in progress	2,382,706	3,692,776	-	(5,575,850)	499,632
	<u>8,258,708</u>	<u>3,692,776</u>	<u>-</u>	<u>(5,575,850)</u>	<u>6,375,634</u>
Capital assets being depreciated:					
Furniture and equipment	6,420,961	-	(25,174)	205,558	6,601,345
Computers and software	27,907,888	-	(2,066,669)	4,640,091	30,481,310
Leasehold improvements	5,192,478	-	(138,515)	9,155	5,063,118
Building	43,867,940	-	-	721,046	44,588,986
	<u>83,389,267</u>	<u>-</u>	<u>(2,230,358)</u>	<u>5,575,850</u>	<u>86,734,759</u>
Less accumulated depreciation for:					
Furniture and equipment	4,978,434	716,158	(25,174)	-	5,669,418
Computers and software	21,935,365	4,565,533	(2,066,669)	-	24,434,229
Leasehold improvements	3,326,488	589,005	(138,515)	-	3,776,978
Building	10,649,434	1,955,442	-	-	12,604,876
	<u>40,889,721</u>	<u>7,826,138</u>	<u>(2,230,358)</u>	<u>-</u>	<u>46,485,501</u>
Total depreciable assets, net	<u>42,499,546</u>	<u>(7,826,138)</u>	<u>-</u>	<u>5,575,850</u>	<u>40,249,258</u>
Capital assets, net	<u>\$ 50,758,254</u>	<u>\$ (4,133,362)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,624,892</u>

**Orange County Health Authority, a Public Agency/
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Note 4 – Capital Assets (continued)

Capital asset activity during the year ended June 30, 2018, consisted of the following:

	June 30, 2017	Additions	Retirements	Transfers	June 30, 2018
Capital assets not being depreciated:					
Land	\$ 5,876,002	\$ -	\$ -	\$ -	\$ 5,876,002
Construction in progress	702,535	3,956,429	-	(2,276,258)	2,382,706
	<u>6,578,537</u>	<u>3,956,429</u>	<u>-</u>	<u>(2,276,258)</u>	<u>8,258,708</u>
Capital assets being depreciated:					
Furniture and equipment	6,364,507	-	-	56,454	6,420,961
Computers and software	27,073,405	-	(1,051,408)	1,885,891	27,907,888
Leasehold improvements	5,180,143	-	-	12,335	5,192,478
Building	43,546,362	-	-	321,578	43,867,940
	<u>82,164,417</u>	<u>-</u>	<u>(1,051,408)</u>	<u>2,276,258</u>	<u>83,389,267</u>
Less accumulated depreciation for:					
Furniture and equipment	4,185,504	792,930	-	-	4,978,434
Computers and software	18,797,536	4,189,237	(1,051,408)	-	21,935,365
Leasehold improvements	2,730,279	596,209	-	-	3,326,488
Building	8,728,607	1,920,827	-	-	10,649,434
	<u>34,441,926</u>	<u>7,499,203</u>	<u>(1,051,408)</u>	<u>-</u>	<u>40,889,721</u>
Total depreciable assets, net	<u>47,722,491</u>	<u>(7,499,203)</u>	<u>-</u>	<u>2,276,258</u>	<u>42,499,546</u>
Capital assets, net	<u>\$ 54,301,028</u>	<u>\$ (3,542,774)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,758,254</u>

The Organization recognized depreciation expense of approximately \$7,826,000 and \$7,499,000 during the years ended June 30, 2019 and 2018, respectively. During the years ended June 30, 2019 and 2018, depreciation expense of approximately \$599,000 and \$0, respectively, was included within Pace medical expenses on the accompanying consolidated statements of revenues, expenses, and changes in net position.

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Note 5 – Medical Claims Liability

Medical claims liability consisted of the following:

	June 30,	
	2019	2018
Claims payable or pending approval	\$ 12,621,260	\$ 13,347,460
Provisions for IBNR claims	<u>274,667,344</u>	<u>249,709,977</u>
	<u>\$ 287,288,604</u>	<u>\$ 263,057,437</u>

The cost of health care services is recognized in the period in which care is provided and includes an estimate of the cost of services that has been incurred but not yet reported. CalOptima estimates accrued claims payable based on historical claims payments and other relevant information. Unpaid claims adjustment expenses are an estimate of the cost to process the IBNR claims and are included in medical claims liability. Estimates are continually monitored and analyzed, and as settlements are made or estimates adjusted, differences are reflected in current operations.

Such estimates are subject to the impact of changes in the regulatory environment and economic conditions. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided.

The following is a reconciliation of the medical claims liability:

	For the Years Ended June 30,	
	2019	2018
Beginning balance	\$ 263,057,437	\$ 426,676,745
Incurred:		
Current	1,942,000,378	1,609,946,348
Prior	<u>(6,343,766)</u>	<u>(7,371,113)</u>
	<u>1,935,656,612</u>	<u>1,602,575,235</u>
Paid:		
Current	1,669,760,655	1,541,304,218
Prior	<u>241,664,790</u>	<u>224,890,325</u>
	<u>1,911,425,445</u>	<u>1,766,194,543</u>
Ending balance	<u>\$ 287,288,604</u>	<u>\$ 263,057,437</u>

**Orange County Health Authority, a Public Agency/
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Note 5 – Medical Claims Liability (continued)

Amounts incurred related to prior years vary from previously estimated liabilities as the claims are ultimately adjudicated and paid. Liabilities at any year end are continually reviewed and re-estimated as information regarding actual claim payments becomes known. This information is compared to the originally established prior reporting period liability. Negative amounts reported for incurred, related to prior years, result from claims being adjudicated and paid for amounts less than originally estimated. The year ended June 30, 2019, results included a decrease of prior year incurred of approximately \$6,344,000. The year ended June 30, 2018, results included a decrease of prior year incurred of approximately \$7,371,000. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

The amounts accrued in Due to State of California and the Centers for Medicare and Medicaid Services (CMS) represent excess payments from DHCS that are primarily due to capitation payments received that do not reflect the current Medi-Cal rates issued by DHCS. DHCS is in process of recouping these overpayments as of June 30, 2019, and the remaining overpayments not yet recouped are included within Due to State of California and the CMS on the consolidated statement of net position. During the years ended June 30, 2019 and 2018, DHCS recouped approximately \$152,799,000 and \$636,927,000 related to dates of service of FY15 through FY19 for the Medi-Cal expansion population, respectively, presented as a reduction of premium revenues in the consolidated statements of revenue, expenses, and change in net position.

Note 6 – Defined Benefit Pension Plan

Plan description – CalOptima’s defined benefit pension plan, Miscellaneous Plan of the Orange County Health Authority (the “CalPERS Plan”), provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The CalPERS Plan is part of the public agency portion of the California Public Employees Retirement Systems (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the state of California. A menu of benefit provisions as well as other requirements is established by state statutes within the Public Employees’ Retirement Law. CalOptima selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through the Board of Directors’ approval. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for CalPERS. Copies of the report can be obtained from CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

**Orange County Health Authority, a Public Agency/
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Note 6 – Defined Benefit Pension Plan (continued)

Benefits provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one full year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS Plan's provisions and benefits in effect as of June 30, 2019, are summarized as follows:

Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 plus	52 plus
Monthly benefits as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7.0%	7.3%
Required employer contribution rates	8.5%	8.5%

The following is a summary of plan participants:

	June 30, 2019	June 30, 2018
Active employees	1,305	1,219
Retirees and beneficiaries:		
Receiving benefits	72	59
Deferred Retirement benefits:		
Terminated employees	172	128
Surviving spouses	3	3
Beneficiaries	3	3

**Orange County Health Authority, a Public Agency/
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Note 6 – Defined Benefit Pension Plan (continued)

Contributions – Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The average active employee contribution rate is 7.25 percent of annual pay for the years ended June 30, 2019 and 2018. The employer's contribution rate is 8.5 percent of annual payroll for the years ended June 30, 2019 and 2018.

CalOptima's net pension liability for the CalPERS Plan is measured as the total pension liability, less the pension plan's fiduciary net position. For the measurement period ended June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. Total pension liabilities were based on the following actuarial methods and assumptions as of June 30, 2018 and June 30, 2017, respectively:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.5% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

The underlying mortality table was developed based on CalPERS' specific data. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. The post-retirement mortality rates above include 20 years of projected ongoing mortality improvement using Scale BB published by the Society of Actuaries. All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website.

**Orange County Health Authority, a Public Agency/
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Notes to Consolidated Financial Statements**

Note 6 – Defined Benefit Pension Plan (continued)

Changes in the Net Pension Liability are as follows:

	Increase (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2018	\$ 142,448,307	\$ 117,347,487	\$ 25,100,820
Changes during the year:			
Service Cost	13,491,596	-	13,491,596
Interest on the total pension liability	10,431,464	-	10,431,464
Changes of benefit terms	-	-	-
Differences between expected and actual experience	2,812,748	-	2,812,748
Changes of assumptions	(4,737,905)	-	(4,737,905)
Contributions from the employer	-	7,588,200	(7,588,200)
Contributions from employees	-	6,213,420	(6,213,420)
Net investment income	-	10,225,467	(10,225,467)
Benefit payments, including refunds of employee contributions	(2,748,699)	(2,748,699)	-
Administrative expenses	-	(530,428)	530,428
Net changes during the year	<u>19,249,204</u>	<u>20,747,960</u>	<u>(1,498,756)</u>
Balance at June 30, 2019	<u>\$ 161,697,511</u>	<u>\$ 138,095,447</u>	<u>\$ 23,602,064</u>

**Orange County Health Authority, a Public Agency/
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Note 6 – Defined Benefit Pension Plan (continued)

	Increase (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2017	\$ 112,464,954	\$ 97,034,191	\$ 15,430,763
Changes during the year:			
Service Cost	13,118,795	-	13,118,795
Interest on the total pension liability	9,136,725	-	9,136,725
Changes of benefit terms	-	-	-
Differences between expected and actual experience	632,642	-	632,642
Changes of assumptions	9,163,547	-	9,163,547
Contributions from the employer	-	5,234,582	(5,234,582)
Contributions from employees	-	5,793,911	(5,793,911)
Net investment income	-	11,496,425	(11,496,425)
Benefit payments, including refunds of employee contributions	(2,068,356)	(2,068,356)	-
Administrative expenses	-	(143,266)	143,266
Net changes during the year	<u>29,983,353</u>	<u>20,313,296</u>	<u>9,670,057</u>
Balance at June 30, 2018	<u>\$ 142,448,307</u>	<u>\$ 117,347,487</u>	<u>\$ 25,100,820</u>

Discount rate and long term rate of return – The discount rate used to measure the total pension liability was 7.15% for the CalPERS Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class.

**Orange County Health Authority, a Public Agency/
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Note 6 – Defined Benefit Pension Plan (continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make the required contributions as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11–60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

New Strategic Asset Class	Real Return Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%

(a) An expected inflation of 2.00% was used for this period

(b) An expected inflation of 2.92% was used for this period

**Orange County Health Authority, a Public Agency/
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Note 6 – Defined Benefit Pension Plan (continued)

The following presents the net pension liability of the CalPERS Plan calculated using the discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	June 30, 2019		
	Discount Rate -1%	Current Discount Rate	Discount Rate +1%
	6.15%	7.15%	8.15%
Net Pension Liability	\$ 50,790,772	\$ 23,602,064	\$ 1,662,185

	June 30, 2018		
	Discount Rate -1%	Current Discount Rate	Discount Rate +1%
	6.15%	7.15%	8.15%
Net Pension Liability	\$ 50,320,307	\$ 25,100,820	\$ 4,838,677

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**Orange County Health Authority, a Public Agency/
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Note 6 – Defined Benefit Pension Plan (continued)

Pension expense and deferred outflows/inflows of resources related to pensions – CalOptima recognized pension expense of approximately \$11,422,000 and \$17,785,000, presented within salaries, wages, and employee benefits in the consolidated statements of revenue, expenses, and change in net position for the years ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, CalOptima recognized deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>June 30, 2019</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions from employers subsequent to the measurement date	\$ 686,962	\$ -
Net differences between projected and actual earnings on plan investments	-	156,330
Changes in assumptions	6,428,159	4,747,505
Differences between expected and actual experiences	<u>3,419,328</u>	<u>-</u>
	<u>\$ 10,534,449</u>	<u>\$ 4,903,835</u>
	<u>June 30, 2018</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions from employers subsequent to the measurement date	\$ 393,907	\$ -
Net differences between projected and actual earnings on plan investments	1,017,387	-
Changes in assumptions	7,795,853	1,028,380
Differences between expected and actual experiences	<u>1,365,903</u>	<u>-</u>
	<u>\$ 10,573,050</u>	<u>\$ 1,028,380</u>

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Note 6 – Defined Benefit Pension Plan (continued)

The deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability during the year ended June 30, 2019. The net differences reported as deferred outflows of resources related to pensions will be recognized as pension expense as follows:

Years Ending June 30,	Deferred Outflows (Inflows) of Resources
2019	\$ 2,209,282
2020	1,288,653
2021	21,613
2022	889,095
2023	736,144
Thereafter	(201,135)
	\$ 4,943,652

Note 7 – Employee Benefit Plans

Deferred compensation plan – CalOptima sponsors a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (the 457 Plan) under which employees are permitted to defer a portion of their annual salary until future years. CalOptima may make discretionary contributions to the 457 Plan as determined by the Board of Directors. For the years ended June 30, 2019 and 2018, no discretionary employer contributions were made.

Defined contribution plan – Effective January 1, 1999, CalOptima established a supplemental retirement plan for its employees called the CalOptima Public Agency Retirement System Defined Contribution Supplemental Retirement Plan (“PARS Plan”). All regular and limited-term employees are eligible to participate in the PARS Plan. The current PARS Plan design does not require employee contributions. CalOptima makes discretionary employer contributions to the PARS Plan as authorized by the CalOptima Board of Directors. Vesting occurs over 16 quarters of service. For the years ended June 30, 2019 and 2018, CalOptima contributed approximately \$3,256,000 and \$2,971,000, respectively.

Note 8 – Postemployment Health Care Plan

Plan description – CalOptima sponsors and administers a single-employer, defined benefit postemployment health care plan (the “Plan”) to provide medical and dental insurance benefits to eligible retired employees and their beneficiaries. Benefit provisions are established and may be amended by the CalOptima Board of Directors.

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Note 8 – Postemployment Health Care Plan (continued)

Effective January 1, 2004, CalOptima terminated postemployment health care benefits for employees hired on or after January 1, 2004. For employees hired prior to January 1, 2004, the employee’s eligibility for retiree health benefits remains similar to the eligibility requirements for the defined benefit pension plan.

During the year ended June 30, 2006, CalOptima modified the benefit offered to eligible participants, requiring participants to enroll in Medicare and specifying that CalOptima would be responsible only for the cost of Medicare supplemental coverage, subject to a cost sharing between the participant and CalOptima.

For purposes of measuring the total postemployment retirement liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalOptima’s plan and additions to/deductions from the OPEB Plan’s fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

US GAAP requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 - June 30, 2018
Valuation Date	January 1, 2018

Covered employees – As of June 30, 2018, the measurement date, the following numbers of participants were covered by the benefit terms:

	<u>Number of Covered Participants</u>
Inactives currently receiving benefits	66
Inactives entitled to but not yet receiving benefits	-
Active employees	<u>83</u>
Total	<u><u>149</u></u>

**Orange County Health Authority, a Public Agency/
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Note 8 – Postemployment Health Care Plan (continued)

Contributions – The contribution requirements of plan members and CalOptima are established and may be amended by the CalOptima Board of Directors. CalOptima’s contribution is based on projected pay-as-you-go financing requirements, with no additional amount to prefund benefits. CalOptima contributed \$556,000, including \$523,000 in premium payments for retirees and \$33,000 for implied subsidies for the year ended June 30, 2019. CalOptima contributed \$560,000, including \$529,000 in premium payments for retirees and \$31,000 for implied subsidies for the year ended June 30, 2018. The most recent actuarial report for the plan was June 30, 2018. As of that point, the actuarial accrued liability and unfunded actuarial accrued liability for benefits were approximately \$24,705,000.

Actuarial assumptions – CalOptima’s total postemployment retirement liability was measured as of June 30, 2017, and the total postemployment retirement liability used to calculate the total postemployment retirement liability was determined by an actuarial valuation dated June 30, 2017, that was rolled forward to determine the June 30, 2018 total postemployment retirement liability, based on the following actuarial methods and assumptions:

Salary increases	3% per annum, in aggregate
Medical trend	Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076
Discount rate	3.87% at June 30 2018, Bond Buyer 20 Index 3.58% at June 30 2017, Bond Buyer 20 Index
Mortality, retirement, disability, termination	CalPERS 1997-2015 Experience Study Post-retirement mortality projection Scale MP-2017
General inflation	2.75% per annum

Discount rate and long term rate of return – The discount rate used to measure the total OPEB liability was 3.87 percent for June 30, 2018. There were no plan investments; as such, the expected long-term rate of return on investment is not applicable.

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Note 8 – Postemployment Health Care Plan (continued)

Changes in the net OPEB liability – Changes in the net OPEB liability were as follows:

Balance at June 30, 2018	\$ 24,565,000
Changes for the year	
Service cost	867,000
Interest	900,000
Benefit changes	-
Actual vs. expected experience	-
Assumption changes	(1,067,000)
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments	(560,000)
Administrative expenses	-
	<hr/>
Net changes	140,000
	<hr/>
Balance at June 30, 2019	<u>\$ 24,705,000</u>

Sensitivity of the net OPEB liability to changes in the discount rate – The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current discount rate:

	<u>1% Decrease (2.87%)</u>	<u>Current Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
Total OPEB liability	\$ 28,687,000	\$ 24,705,000	\$ 21,485,000

Sensitivity of the net OPEB liability to changes in health care cost trend rates – The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using health care cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current health care cost trend rates:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 20,948,000	\$ 24,705,000	\$ 29,457,000

**Orange County Health Authority, a Public Agency/
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Notes to Consolidated Financial Statements**

Note 8 – Postemployment Health Care Plan (continued)

For the year ended June 30, 2019, CalOptima recognized OPEB expense of approximately \$902,000. As of June 30, 2019, the reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	2,503,000
Employer contributions made subsequent to measurement date	556,000	-
Total	\$ 556,000	\$ 2,503,000

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

	Deferred Outflows / (Inflows) of Resources
Year ending June 30,	
2020	\$ (309,000)
2021	(865,000)
2022	(678,000)
2023	(95,000)
2024	-
Thereafter	-
	\$ (1,947,000)

The required schedule of changes in total OPEB liability immediately following the notes to the consolidated financial statements presents multiyear trend information about the actuarial accrued liability for benefits.

**Orange County Health Authority, a Public Agency/
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Notes to Consolidated Financial Statements**

Note 9 – Restricted Net Position

On June 28, 2000, CalOptima became a fully licensed health care service plan under the Act, as required by statutes governing the Healthy Families program. Under the Act, CalOptima is required to maintain and meet a minimum level of tangible net equity (TNE) as of June 30, 2019 and 2018, of \$84,930,126 and \$89,037,443, respectively. As of June 30, 2019 and 2018, the Organization is in compliance with its TNE requirement.

The Act further required that CalOptima maintain a restricted deposit in the amount of \$300,000. CalOptima met this requirement as of June 30, 2019 and 2018.

Note 10 – Lease Commitments

CalOptima leases office space and equipment under noncancelable, long-term operating leases, with minimum annual payments as follows:

	Minimum Lease Payments
Years Ending June 30,	
2019	\$ 531,411
2020	547,353
2021	277,721
2022	-
2023	-
Thereafter	-
	\$ 1,356,485

Rental expense under operating leases was approximately \$471,000 and \$469,000 for the years ended June 30, 2019 and 2018, respectively.

Note 11 – Contingencies

Litigation – CalOptima is party to various legal actions and is subject to various claims arising in the ordinary course of business. Management believes that the disposition of these matters will not have a material adverse effect on CalOptima’s financial position or results of operations.

**Orange County Health Authority, a Public Agency/
dba Orange Prevention and Treatment Integrated
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Notes to Consolidated Financial Statements**

Note 11 – Contingencies (continued)

Regulatory matters – The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties. Management believes that CalOptima is in compliance with fraud and abuse, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Medi-Cal Eligibility Discrepancies – During October 2018, the California State Auditor issued an audit report indicating that DHCS made \$323,964,900 (aggregate) in questionable Medi-Cal payments to managed care plans in Orange County from 2014 to 2017 due to discrepancies between the state and county Medi-Cal eligibility systems. As of September __, 2019, which is the date the consolidated financial statements were available to be issued, the Organization has no means of reliably estimating the amounts of such questionable payments received, if any, and has received no formal communication from any agency that such questionable payments have been made to the Organization. Due to this inherent uncertainty, the range of potential loss, if any, is indeterminable, and no corresponding accrual was made as of June 30, 2019.

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**Orange County Health Authority, a Public Agency/
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Notes to Consolidated Financial Statements**

Note 12 – Consolidating Information

The consolidating assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2019, are as follows:

	ASSETS			
	CalOptima	CalOptima Foundation	Eliminations	Consolidated
CURRENT ASSETS				
Cash and cash equivalents	\$ 347,627,785	\$ -	\$ -	\$ 347,627,785
Investments	573,706,297	-	-	573,706,297
Premiums due from the State of California	302,964,503	-	-	302,964,503
Prepaid expenses and other	54,765,005	-	-	54,765,005
Total current assets	<u>1,279,063,590</u>	<u>-</u>	<u>-</u>	<u>1,279,063,590</u>
BOARD-DESIGNATED ASSETS AND RESTRICTED CASH				
Cash and cash equivalents	72,711,832	-	-	72,711,832
Investments	547,433,576	-	-	547,433,576
Restricted deposit	300,000	-	-	300,000
	<u>620,445,408</u>	<u>-</u>	<u>-</u>	<u>620,445,408</u>
CAPITAL ASSETS, NET				
	<u>46,624,892</u>	<u>-</u>	<u>-</u>	<u>46,624,892</u>
Total assets	<u>1,946,133,890</u>	<u>-</u>	<u>-</u>	<u>1,946,133,890</u>
DEFERRED OUTFLOWS OF RESOURCES				
Net pension	10,534,449	-	-	10,534,449
Other postemployment benefit	556,000	-	-	556,000
Total deferred outflows of resources	<u>11,090,449</u>	<u>-</u>	<u>-</u>	<u>11,090,449</u>
Total assets and deferred outflows of resources	<u>\$ 1,957,224,339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,957,224,339</u>
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Medical claims liability and capitation payable				
Medical claims liability	\$ 287,288,604	\$ -	\$ -	\$ 287,288,604
Provider capitation and withholds	108,903,139	-	-	108,903,139
Accrued reinsurance costs to providers	3,209,901	-	-	3,209,901
Due to State of California and the Centers for Medicare and Medicaid Services (CMS)	496,690,411	-	-	496,690,411
Unearned revenue	50,147,341	-	-	50,147,341
	<u>946,239,396</u>	<u>-</u>	<u>-</u>	<u>946,239,396</u>
Accounts payable and other	8,658,894	-	-	8,658,894
Accrued payroll and employee benefits and other	11,069,278	-	-	11,069,278
Total current liabilities	<u>965,967,568</u>	<u>-</u>	<u>-</u>	<u>965,967,568</u>
POSTEMPLOYMENT HEALTH CARE PLAN NET PENSION LIABILITY				
	<u>24,705,000</u>	<u>-</u>	<u>-</u>	<u>24,705,000</u>
	<u>23,602,064</u>	<u>-</u>	<u>-</u>	<u>23,602,064</u>
Total liabilities	<u>1,014,274,632</u>	<u>-</u>	<u>-</u>	<u>1,014,274,632</u>
DEFERRED INFLOWS OF RESOURCES				
Net pension	4,903,835	-	-	4,903,835
Other postemployment benefit	2,503,000	-	-	2,503,000
Total deferred inflows of resources	<u>7,406,835</u>	<u>-</u>	<u>-</u>	<u>7,406,835</u>
NET POSITION				
Net investment in capital assets	46,580,380	-	-	46,580,380
Restricted by legislative authority	84,930,126	-	-	84,930,126
Unrestricted	804,032,366	-	-	804,032,366
Total net position	<u>935,542,872</u>	<u>-</u>	<u>-</u>	<u>935,542,872</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,957,224,339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,957,224,339</u>

**Orange County Health Authority, a Public Agency/
dba Orange Prevention and Treatment Integrated
Medical Assistance/dba CalOptima
Notes to Consolidated Financial Statements**

Note 12 – Consolidating Information (continued)

The consolidating assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2018, are as follows:

	ASSETS			
	CalOptima	CalOptima Foundation	Eliminations	Consolidated
CURRENT ASSETS				
Cash and cash equivalents	\$ 368,089,848	\$ 2,843,139	\$ -	\$ 370,932,987
Investments	580,298,949	-	-	580,298,949
Premiums due from the State of California	296,371,640	-	-	296,371,640
Prepaid expenses and other	31,076,723	-	-	31,076,723
Total current assets	1,275,837,160	2,843,139	-	1,278,680,299
BOARD-DESIGNATED ASSETS AND RESTRICTED CASH				
Cash and cash equivalents	26,682,953	-	-	26,682,953
Investments	511,564,720	-	-	511,564,720
Restricted deposit	300,000	-	-	300,000
Total	538,547,673	-	-	538,547,673
CAPITAL ASSETS, NET				
Total assets	50,758,254	-	-	50,758,254
Total assets	1,865,143,087	2,843,139	-	1,867,986,226
DEFERRED OUTFLOWS OF RESOURCES				
Net pension	10,573,050	-	-	10,573,050
Other postemployment benefit	560,000	-	-	560,000
Total deferred outflows of resources	11,133,050	-	-	11,133,050
Total assets and deferred outflows of resources	<u>\$ 1,876,276,137</u>	<u>\$ 2,843,139</u>	<u>\$ -</u>	<u>\$ 1,879,119,276</u>
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Medical claims liability and capitation payable				
Medical claims liability	\$ 263,057,437	\$ -	\$ -	\$ 263,057,437
Provider capitation and withholds	96,448,891	-	-	96,448,891
Accrued reinsurance costs to providers	3,464,488	-	-	3,464,488
Due to State of California and the Centers for Medicare and Medicaid Services (CMS)	567,116,026	-	-	567,116,026
Unearned revenue	112,557,008	-	-	112,557,008
Total	1,042,643,850	-	-	1,042,643,850
Accounts payable and other	8,030,637	-	-	8,030,637
Accrued payroll and employee benefits and other	10,869,839	-	-	10,869,839
Total current liabilities	1,061,544,326	-	-	1,061,544,326
POSTEMPLOYMENT HEALTH CARE PLAN				
Total	24,565,000	-	-	24,565,000
NET PENSION LIABILITY				
Total	25,100,820	-	-	25,100,820
OTHER LONG-TERM LIABILITIES				
Total	100,000	-	-	100,000
Total liabilities	1,111,310,146	-	-	1,111,310,146
DEFERRED INFLOWS OF RESOURCES				
Net pension	1,028,380	-	-	1,028,380
Other postemployment benefit	2,301,000	-	-	2,301,000
Total deferred inflows of resources	3,329,380	-	-	3,329,380
NET POSITION				
Net investment in capital assets	50,637,437	-	-	50,637,437
Restricted by legislative authority	89,037,443	-	-	89,037,443
Unrestricted	621,961,731	2,843,139	-	624,804,870
Total net position	761,636,611	2,843,139	-	764,479,750
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,876,276,137</u>	<u>\$ 2,843,139</u>	<u>\$ -</u>	<u>\$ 1,879,119,276</u>

**Orange County Health Authority, a Public Agency/
dba Orange Prevention and Treatment Integrated
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Notes to Consolidated Financial Statements**

Note 12 – Consolidating Information (continued)

The consolidating statements of revenues, expenses, and changes in net position for the year ended June 30, 2019, are as follows:

	CalOptima	CalOptima Foundation	Eliminations	Consolidated
OPERATING REVENUES				
Premium revenues	\$ 3,474,634,375	\$ -	\$ -	\$ 3,474,634,375
Total operating revenues	<u>3,474,634,375</u>	<u>-</u>	<u>-</u>	<u>3,474,634,375</u>
OPERATING EXPENSES				
Medical expenses				
Claims expense to providers and facilities	1,287,230,443	-	-	1,287,230,443
Provider capitation	1,094,332,595	-	-	1,094,332,595
Prescription drugs	445,721,355	-	-	445,721,355
OneCare Connect	293,947,460	-	-	293,947,460
Other medical	53,871,235	-	-	53,871,235
Pace	23,297,732	-	-	23,297,732
OneCare	18,272,703	-	-	18,272,703
Total medical expenses	<u>3,216,673,523</u>	<u>-</u>	<u>-</u>	<u>3,216,673,523</u>
Administrative expenses				
Salaries, wages and employee benefits	84,618,793	-	-	84,618,793
Supplies, occupancy, insurance and other	22,963,749	12,000	-	22,975,749
Purchased services	12,584,719	-	-	12,584,719
Depreciation	7,226,723	-	-	7,226,723
Professional fees	3,167,619	-	-	3,167,619
Total administrative expenses	<u>130,561,603</u>	<u>12,000</u>	<u>-</u>	<u>130,573,603</u>
Total operating expenses	<u>3,347,235,126</u>	<u>12,000</u>	<u>-</u>	<u>3,347,247,126</u>
Operating income (loss)	<u>127,399,249</u>	<u>(12,000)</u>	<u>-</u>	<u>127,387,249</u>
NON-OPERATING REVENUES				
Net investment income and other	43,640,102	35,771	-	43,675,873
Total non-operating revenues	<u>43,640,102</u>	<u>35,771</u>	<u>-</u>	<u>43,675,873</u>
Increase in net position	171,039,351	23,771	-	171,063,122
NET POSITION, beginning of year	761,636,611	2,843,139	-	764,479,750
Transfer of Foundation assets to CalOptima	2,866,910	(2,866,910)	-	-
NET POSITION, end of year	<u>\$ 935,542,872</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 935,542,872</u>

**Orange County Health Authority, a Public Agency/
dba Orange Prevention and Treatment Integrated
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Notes to Consolidated Financial Statements**

Note 12 – Consolidating Information (continued)

The consolidating statements of revenues, expenses, and changes in net position for the year ended June 30, 2018, are as follows:

	CalOptima	CalOptima Foundation	Eliminations	Consolidated
OPERATING REVENUES				
Premium revenues	\$ 3,445,699,268	\$ -	\$ -	\$ 3,445,699,268
Total operating revenues	<u>3,445,699,268</u>	<u>-</u>	<u>-</u>	<u>3,445,699,268</u>
OPERATING EXPENSES				
Medical expenses				
Provider capitation	1,068,367,719	-	-	1,068,367,719
Claim expense to providers and facilities	1,403,275,064	-	-	1,403,275,064
Prescription drugs	442,312,644	-	-	442,312,644
Other medical	42,215,978	-	-	42,215,978
OneCare Connect	302,761,410	-	-	302,761,410
OneCare	14,437,586	-	-	14,437,586
Pace	18,341,424	-	-	18,341,424
Total medical expenses	<u>3,291,711,825</u>	<u>-</u>	<u>-</u>	<u>3,291,711,825</u>
Administrative expenses				
Salaries, wages and employee benefits	85,386,751	-	-	85,386,751
Professional fees	2,430,578	-	-	2,430,578
Purchased services	11,460,353	-	-	11,460,353
Supplies, occupancy, insurance and other	25,045,349	25,000	-	25,070,349
Depreciation	7,499,203	-	-	7,499,203
Total administrative expenses	<u>131,822,234</u>	<u>25,000</u>	<u>-</u>	<u>131,847,234</u>
Total operating expenses	<u>3,423,534,059</u>	<u>25,000</u>	<u>-</u>	<u>3,423,559,059</u>
Operating income (loss)	<u>22,165,209</u>	<u>(25,000)</u>	<u>-</u>	<u>22,140,209</u>
NON-OPERATING REVENUES AND EXPENSES				
Net investment income and other	21,714,051	-	-	21,714,051
Rental income, net of related expenses	1,985,919	-	-	1,985,919
Total non-operating revenues and expenses	<u>23,699,970</u>	<u>-</u>	<u>-</u>	<u>23,699,970</u>
Increase in net position	45,865,179	(25,000)	-	45,840,179
NET POSITION, beginning of year	<u>715,771,432</u>	<u>2,868,139</u>	<u>-</u>	<u>718,639,571</u>
NET POSITION, end of year	<u>\$ 761,636,611</u>	<u>\$ 2,843,139</u>	<u>\$ -</u>	<u>\$ 764,479,750</u>

**Orange County Health Authority, a Public Agency/
dba Orange Prevention and Treatment Integrated
Medical Assistance/dba CalOptima
Notes to Consolidated Financial Statements**

Note 12 – Consolidating Information (continued)

The consolidating statement of cash flows for the year ended June 30, 2019, is as follows:

	CalOptima	CalOptima Foundation	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES				
Capitation payments received and other	\$ 3,335,206,230	\$ -	\$ -	\$ 3,335,206,230
Payment to providers and facilities	(3,180,342,695)	-	-	(3,180,342,695)
Payments to vendors	(61,176,697)	(12,000)	-	(61,188,697)
Payments to employees	(81,658,054)	-	-	(81,658,054)
Net cash provided by (used in) operating activities	12,028,784	(12,000)	-	12,016,784
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(3,692,776)	-	-	(3,692,776)
Net cash used in capital and related financing activities	(3,692,776)	-	-	(3,692,776)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income received	49,351,468	35,771	-	49,387,239
Purchases of securities	(13,023,305,579)	-	-	(13,023,305,579)
Sales of securities	12,942,289,130	-	-	12,942,289,130
Net cash (used in) provided by investing activities	(31,664,981)	35,771	-	(31,629,210)
Net (decrease) increase in cash and cash equivalents	(23,328,973)	23,771	-	(23,305,202)
CASH AND CASH EQUIVALENTS, beginning of year	368,089,848	2,843,139	-	370,932,987
Transfer of Foundation assets to CalOptima	2,866,910	(2,866,910)	-	347,627,785
CASH AND CASH EQUIVALENTS, end of year	\$ 347,627,785	\$ -	\$ -	\$ 695,255,570

The consolidating statement of cash flows for the year ended June 30, 2018, is as follows:

	CalOptima	CalOptima Foundation	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES				
Capitation payments received and other	\$ 3,403,621,939	\$ -	\$ -	\$ 3,403,621,939
Payments to providers and facilities	(3,941,938,764)	-	-	(3,941,938,764)
Payments to vendors	(45,296,595)	(50,000)	-	(45,346,595)
Payments to employees	(74,227,628)	-	-	(74,227,628)
Net cash used in operating activities	(657,841,048)	(50,000)	-	(657,891,048)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(3,956,422)	-	-	(3,956,422)
Net cash used in capital and related financing activities	(3,956,422)	-	-	(3,956,422)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income received	28,891,325	-	-	28,891,325
Purchases of securities	(12,243,048,906)	-	-	(12,243,048,906)
Sales of securities	12,736,875,055	-	-	12,736,875,055
Net cash provided by investing activities	522,717,474	-	-	522,717,474
Net decrease in cash and cash equivalents	(139,079,996)	(50,000)	-	(139,129,996)
CASH AND CASH EQUIVALENTS, beginning of year	507,169,844	2,893,139	-	510,062,983
CASH AND CASH EQUIVALENTS, end of year	\$ 368,089,848	\$ 2,843,139	\$ -	\$ 370,932,987

Supplementary Information

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**Orange County Health Authority, a Public Agency/
dba Orange Prevention and Treatment Integrated
Medical Assistance/dba CalOptima
Schedule of Changes in Net Pension Liability and Related Ratios**

	June 30,				
	2019	2018	2017	2016	2015
Total Pension Liability					
Service Cost	\$ 13,491,596	\$ 13,118,795	\$ 10,272,406	\$ 8,363,183	\$ 6,464,105
Interest	10,431,464	9,136,725	7,702,198	6,620,025	5,661,111
Changes in Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	(4,737,905)	9,163,547	102,384	1,444,808	-
Changes in Assumptions	2,812,748	632,642	-	(1,963,270)	-
Benefit Payments, Including Refunds of Employee Contributions	(2,748,699)	(2,068,356)	(2,111,578)	(1,676,666)	(1,326,364)
Net Change in Total Pension Liability	19,249,204	29,983,353	15,965,410	12,788,080	10,798,852
Total Pension Liability - Beginning	142,448,307	112,464,954	96,499,544	83,711,464	72,912,613
Total Pension Liability - Ending	<u>\$ 161,697,511</u>	<u>\$ 142,448,307</u>	<u>\$ 112,464,954</u>	<u>\$ 96,499,544</u>	<u>\$ 83,711,465</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 7,588,200	\$ 5,234,580	\$ 3,787,544	\$ 3,033,171	\$ 3,119,804
Contributions - Employee	6,213,420	5,793,911	4,951,820	4,142,126	3,385,296
Net Investment Income	10,225,467	11,496,425	498,498	1,913,380	12,062,654
Benefit Payments, Including Refunds of Employee Contributions	(2,748,699)	(2,068,356)	(2,111,578)	(1,676,666)	(1,326,364)
Other Changes in Fiduciary Net Position	(530,428)	(143,264)	(54,828)	(101,246)	-
Net Change in Fiduciary Net Position	20,747,960	20,313,296	7,071,456	7,310,765	17,241,390
Plan Fiduciary Net Position - Beginning	117,347,487	97,034,191	89,962,735	82,651,970	65,410,580
Plan Fiduciary Net Position - Ending	<u>\$ 138,095,447</u>	<u>\$ 117,347,487</u>	<u>\$ 97,034,191</u>	<u>\$ 89,962,735</u>	<u>\$ 82,651,970</u>
Plan Net Pension Liability - Ending	<u>\$ 23,602,064</u>	<u>\$ 25,100,820</u>	<u>\$ 15,430,763</u>	<u>\$ 6,536,809</u>	<u>\$ 1,059,495</u>
Plan Fiduciary Net Position as Percentage of the Total Liability	85.40%	82.38%	86.28%	93.23%	98.73%
Covered-Employee Payroll	\$ 85,764,390	\$ 80,217,654	\$ 68,583,296	\$ 55,676,606	\$ 40,940,556
Plan Net Pension Liability as a Percentage of Covered Employee Payroll	27.52%	31.29%	22.50%	11.74%	2.59%

**Orange County Health Authority, a Public Agency/
dba Orange Prevention and Treatment Integrated
Medical Assistance/dba CalOptima
Schedule of Plan Contributions**

	Years Ended June 30,				
	2019	2018	2017	2016	2015
Actuarially Determined Contributions	\$ 7,588,200	\$ 5,234,580	\$ 3,787,544	\$ 3,033,171	\$ 3,119,804
Contributions in Relation To the Actuarially Determined Contribution	<u>(7,588,200)</u>	<u>(5,234,580)</u>	<u>(3,787,544)</u>	<u>(3,033,171)</u>	<u>(3,119,804)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 85,764,390	\$ 80,217,654	\$ 68,583,296	\$ 55,676,606	\$ 40,940,556
Contributions as a Percentage of Covered-Employee Payroll	8.85%	6.53%	5.52%	5.45%	7.62%

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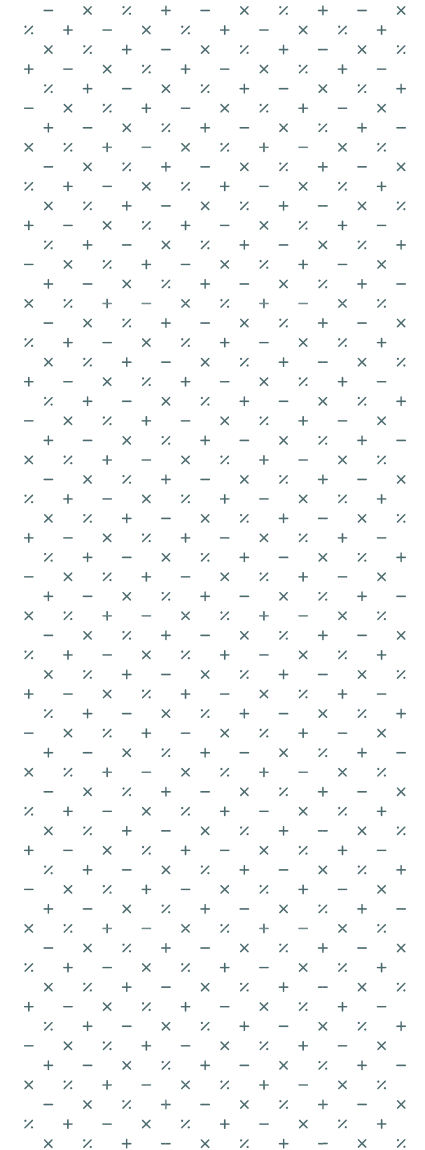
**Orange County Health Authority, a Public Agency/
 dba Orange Prevention and Treatment Integrated
 Medical Assistance/dba CalOptima
 Schedule of Changes in Total OPEB Liability and Related Ratios**

	2018-2019 (Measurement Period 2017- 2018)	2017-2018 (Measurement Period 2016- 2017)
Changes in Total OPEB Liability		
Service cost	\$ 867,000	\$ 1,012,000
Interest	900,000	770,000
Benefit changes	-	-
Actual vs. expected experience	-	-
Assumption changes	(1,067,000)	(2,923,000)
Benefit payments	(560,000)	(572,000)
Net changes	140,000	(1,713,000)
Total OPEB Liability (beginning of year)	24,565,000	26,278,000
Total OPEB Liability (end of year)	<u>\$ 24,705,000</u>	<u>\$ 24,565,000</u>
Total OPEB Liability	\$ 24,705,000	\$ 24,565,000
Covered employee payroll	8,150,000	9,135,000
Total OPEB Liability as a percentage of covered employee payroll	303.1%	268.9%



2019 Audit Results: CalOptima

September 19, 2019



Audit Committee

CalOptima



2

Dear Finance and Audit Committee (FAC) Members:

Thank you for your continued engagement of Moss Adams LLP. We are pleased to have the opportunity to meet with you to discuss the results of our audit of the consolidated financial statements of CalOptima (“the Organization”) for the year ended June 30, 2019.

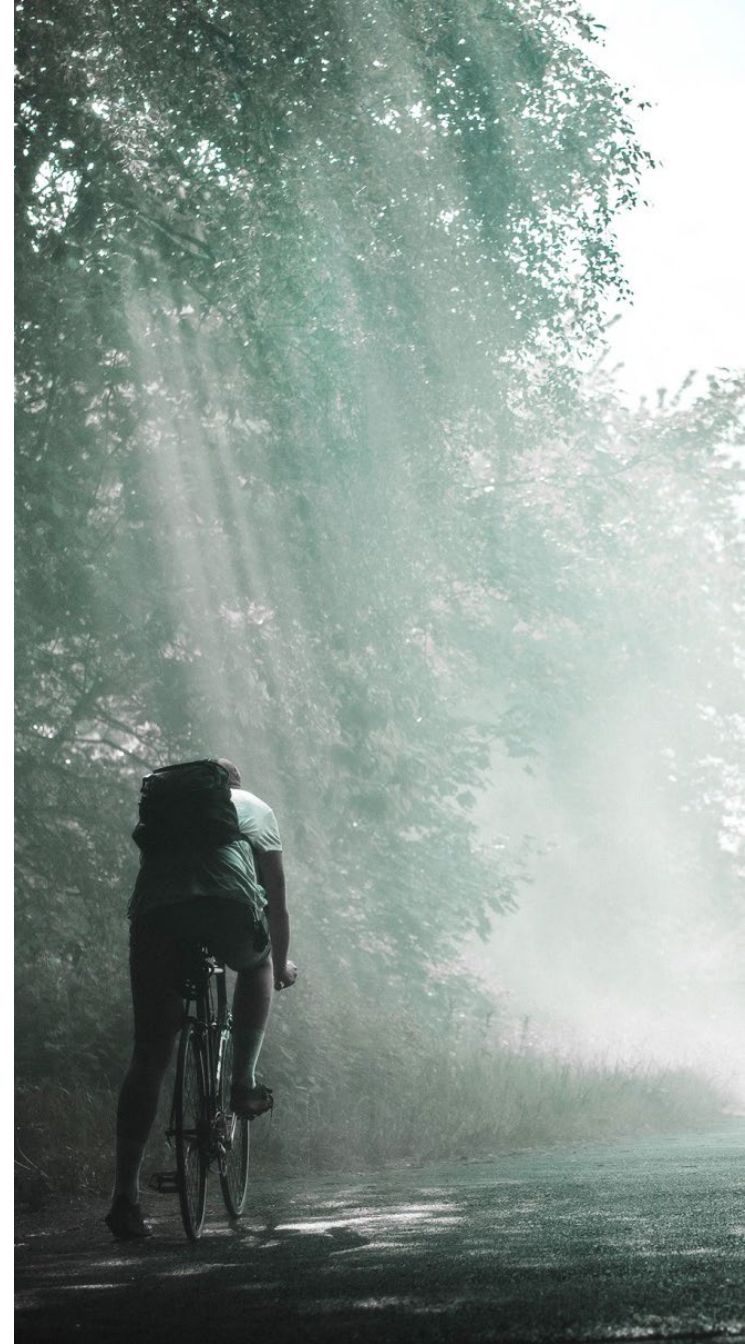
The accompanying report, which is intended solely for the use of the FAC and management, presents important information regarding CalOptima’s consolidated financial statements and our audit that we believe will be of interest to you. It is not intended and should not be used by anyone other than these specified parties.

We conducted our audit with the objectivity and independence that you expect. We received the full support and assistance of the Organization’s personnel. We are pleased to serve and be associated with the Organization as its independent public accountants and look forward to our continued relationship.

We look forward to discussing our report or any other matters of interest with you during this meeting.

Agenda

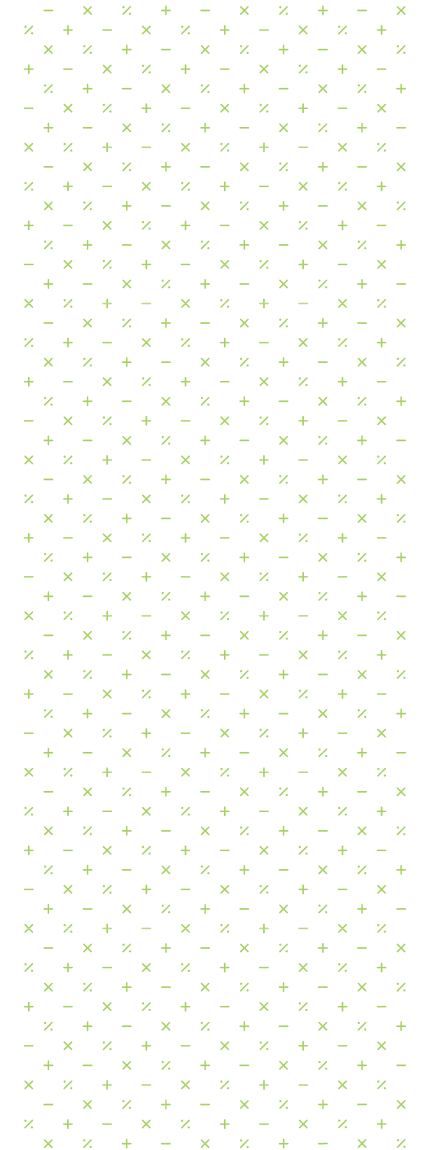
- Auditor Opinions and Reports
- Communication with Those Charged with Governance
- Other Information





Auditor Opinions & Reports

Better Together: Moss Adams & CalOptima



Scope of Services

We have performed the following services for CalOptima:

- Annual consolidated financial statement audit as of and for the year ended June 30, 2019

We have also performed the following nonattest services:

- Assisted in the drafting the consolidated financial statements of CalOptima, excluding Management's Discussion and Analysis
- Assisted in the drafting of the financial statements of the Foundation, excluding Management's Discussion and Analysis
- Assisted in the completion of the Organization portion of the Data Collection Form

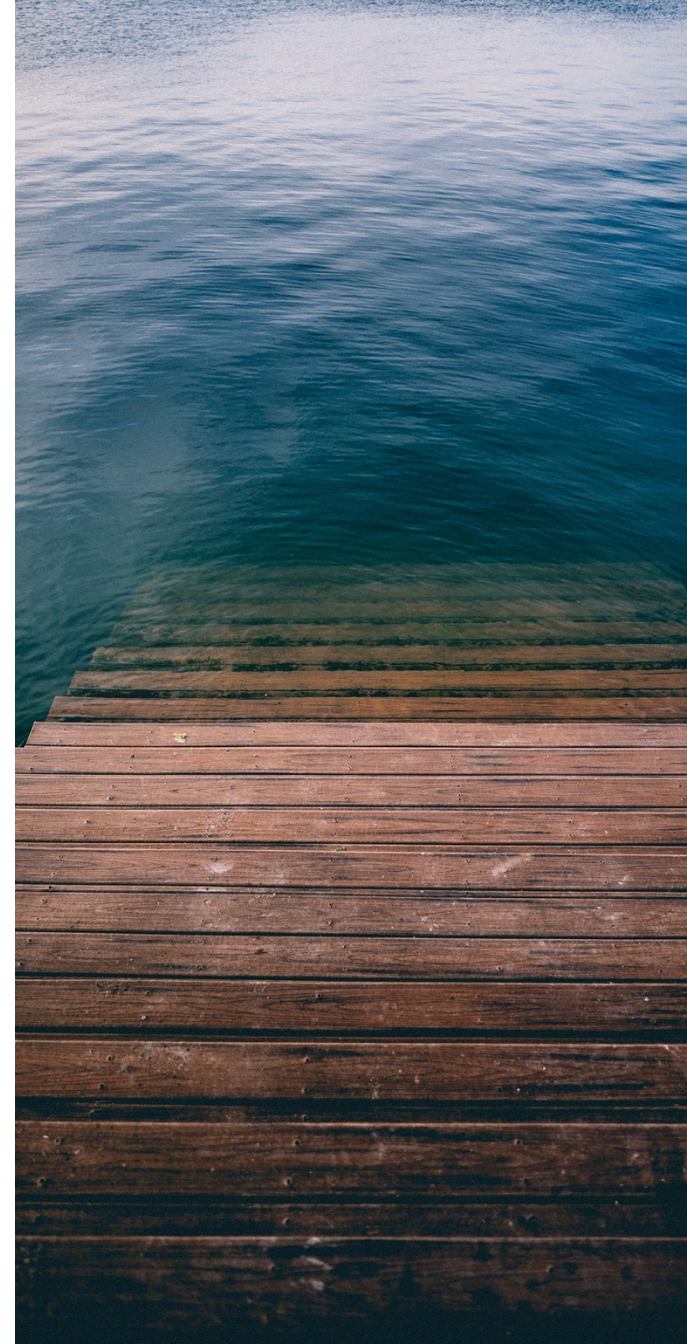


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Auditor Report on the Consolidated Financial Statements

Unmodified Opinion

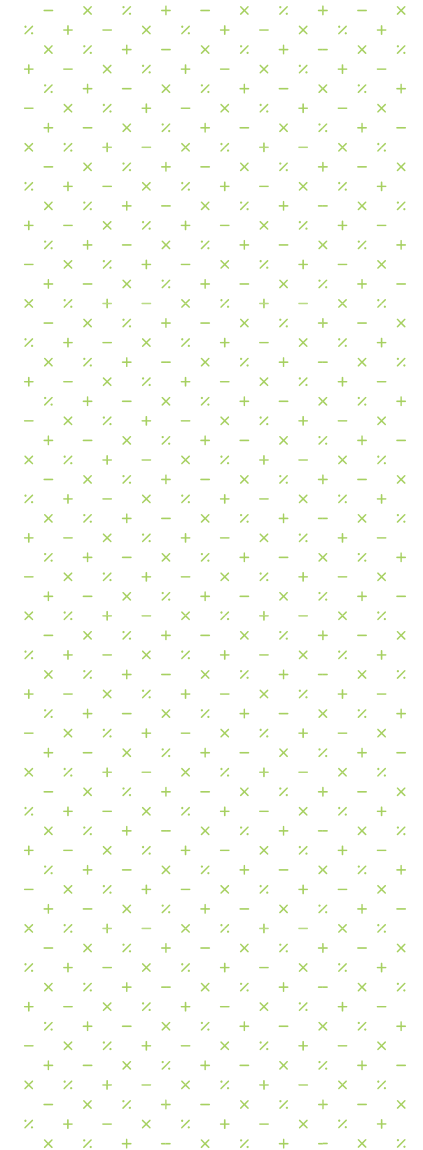
- Consolidated financial statements are presented fairly and in accordance with U.S. Generally Accepted Accounting Principles (GAAP)





Communication with the Finance and Audit Committee (FAC)

Better Together: Moss Adams & CalOptima



Our Responsibility

Our responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards.

1

To express our opinion on whether the consolidated financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with U.S. GAAP. However, our audit does not relieve you or management of your responsibilities.

2

To perform an audit in accordance with generally accepted auditing standards issued by the AICPA and Government Auditing Standards issued by the Comptroller General of the United States, and design the audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement.

3

To consider internal control over financial reporting as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.

4

To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.



Planned Scope & Timing of the Audit

It is the auditor's responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient and appropriate audit evidence and to communicate with the FAC an overview of the planned scope and timing of the audit.

OUR COMMENTS

- The planned scope and timing of the audit was communicated to the FAC at the audit entrance meeting on May 16, 2019.



Significant Accounting Policies & Unusual Transactions



10

The auditor should determine that the FAC is informed about the initial selection of and changes in significant accounting policies or their application. The auditor should also determine that the FAC is informed about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

OUR COMMENTS

- Management has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in the footnotes to the consolidated financial statements. Throughout the course of an audit, we reviewed changes, if any, to significant accounting policies or their application, and the initial selection and implementation of new policies. There were no changes to significant accounting policies for the year ended June 30, 2019.
- We believe management has selected and applied significant accounting policies appropriately and consistent with those of the prior year.

Management Judgements & Accounting Estimates

The FAC should be informed about the process used by management in formulating particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.

OUR COMMENTS

- Management's judgements and accounting estimates are based on knowledge and experience about past and current events and assumptions about future events. We applied audit procedures to management's estimates to ascertain whether the estimates are reasonable under the circumstances and do not materially misstate the consolidated financial statements.
- Significant management estimates impacted the consolidated financial statements, including the following: **fair value of investments; fixed asset lives; actuarially determined accruals for incurred but not reported (IBNR) medical claims liabilities, other non-IBNR medical liabilities; and pension, and other post-employment liabilities.**
- We deem them to be reasonable.



Areas of Audit Emphasis

- Medical Claims Liability and Claims Expense
- Capitation Revenue and Receivables
- Amounts due to the state of California or DHCS
- Pension liability
- Other Postemployment Benefits (OPEB) liability



Management Judgements & Accounting Estimates

Our views about the quantitative aspects of the entity's significant accounting policies, accounting estimates, and financial statement disclosures.

OUR COMMENTS

- The disclosures in the consolidated financial statements were clear and consistent. Certain financial statement disclosures are particularly sensitive because of their significance to financial statements users. We call your attention to the following notes:
 - Note 2 – Summary of Significant Accounting Policies
 - Note 3 – Cash and Investments
 - Note 5 – Medical Claims Liability
 - Note 6 – Defined Benefit Pension Plan
 - Note 8 – Postemployment Health Care Plan



Significant Audit Adjustments & Unadjusted Differences Considered by Management to Be Immaterial

The FAC should be informed of all significant audit adjustments arising from the audit. Consideration should be given to whether an adjustment is indicative of a significant deficiency or a material weakness in the Organization's internal control over financial reporting, or in its process for reporting interim financial information, that could cause future consolidated financial statements to be materially misstated.

The FAC should also be informed of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the consolidated financial statements as a whole.

OUR COMMENTS

There were no corrected or uncorrected audit adjustments.



Deficiencies in Internal Control

Any material weaknesses and significant deficiencies in the design or operation of internal control that came to the auditor's attention during the audit must be reported to the FAC.

OUR COMMENTS

- Material weakness
 - None noted
- Significant deficiencies
 - Nothing to communicate



Potential Effect on the Consolidated Financial Statements of Any Significant Risks & Exposures

The FAC should be adequately informed of the potential effect on financial statements of significant risks and exposures and uncertainties that are disclosed in the consolidated financial statements.

OUR COMMENTS

- CalOptima is subject to potential legal proceedings and claims that arise in the ordinary course of business, which are disclosed in the notes to the consolidated financial statements.



Difficulties Encountered in Performing the Audit

The FAC should be informed of any significant difficulties encountered in dealing with management related to the performance of the audit, including disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the Organization's consolidated financial statements, or the auditor's report.

OUR COMMENTS

- No significant difficulties were encountered during our audit.
- We are pleased to report that there were no disagreements with management.



Material Uncertainties Related to Events & Conditions/ Fraud & Noncompliance with Laws and Regulations

Any doubt regarding the entity's ability to continue, as a going concern, should be communicated to the FAC.

Fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the consolidated financial statements should be communicated. We are also required to communicate any noncompliance with laws and regulations involving senior management that come to our attention, unless clearly inconsequential.

OUR COMMENTS

- No such matters came to our attention.
- We have not become aware of any instances of fraud or noncompliance with laws and regulations.



Other Material Written Communications



19

The FAC should be informed of any significant difficulties encountered in dealing with management related to the performance of the audit, including disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the Organization's consolidated financial statements, or the auditor's report.

OUR COMMENTS

- We have requested certain representations from management that will be included in the representation letter, which we will receive prior to issuance.
- Other than the management representation letter and communication to those charged with governance, there have been no other significant communications.

Management's Consultation with Other Accountants

In some cases, management may decide to consult other accountants about auditing and accounting matters. If management has consulted with other accountants about an auditing and accounting matter that involves application of an accounting principle to the Organization's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

OUR COMMENTS

- We are not aware of any significant accounting or auditing matters for which management consulted other accountants.



Stacy Stelzriede, Partner

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(310) 295-3772

Aparna Venkateswaran, Senior Manager

Aparna.Venkateswarn@mossadams.com

(949) 517-9473



THANK
YOU

CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken September 19, 2019 **Regular Meeting of the CalOptima Board of Directors'** **Finance and Audit Committee**

Report Item

4. Consider Recommending the Board of Directors' Adopt Resolution No. 19-1003-01 Amending Resolution No. 12-0301-01 to Amend CalOptima Policy GA.3202: CalOptima Signature Authority

Contact

Nancy Huang, Interim Chief Financial Officer, (714) 246-8400

Recommended Actions

Consider Recommending the Board of Directors' Adopt Resolution 19-1003-01 Amending Resolution No. 12-0301-01 to Amend CalOptima Policy GA.3202: CalOptima Signature Authority.

Background

The CalOptima Board of Directors is the legislative body of CalOptima and is responsible for making all fundamental policy determinations. Within the parameters of the legal framework in which CalOptima operates, the Board may delegate certain authority to staff or to Board committees to execute decisions on behalf of the Board, provided that these delegations are accompanied by adequate transparency and safeguards to guide the use of the delegated power and prevent abuse.

On March 1, 2012, the CalOptima Board of Directors adopted CalOptima Resolution No. 12-0301-01, which delegated authority to the CEO to make budget allocation changes within certain parameters, approve revisions to the Procurement Policy, adopt a Signature Authority Policy, and adopt other governance recommendations. Specifically, the Signature Authority Policy sets forth a clear delegation of authority for the execution of various types of documents binding CalOptima.

Discussion

Due to operational changes and efficiencies, Staff recommends revising CalOptima Policy GA.3202: CalOptima Signature Authority. The following provides a summary of the revisions.

- Under Section III.C.2.a.ii., revised procedure for signing authority for CalOptima Direct contracts that contain no changes from the standard boilerplate contract and are for rates that do not exceed the Board approved rates for healthcare goods and services. Specifically, due to changes to titles, revised the authorized signatory list from "CEO, Chief Operating Officer (COO), or the Executive Director, CalOptima Care Network" to "CEO, COO, or Executive Director, Network Operations;"
- Updated Section III.C.2.b., to reflect the change in name of the responsible department, "Purchasing" was revised to "Budget and Vendor Management"; and

- Under Section III.C.2.b.iv., updated signature authority for documents for \$25,000 or less from “Director of Financial Compliance” to “Director of Budget and Procurement” to reflect the shift of procurement responsibilities as a result of organizational restructuring.

In addition to the proposed changes noted above, the attached red-lined version of the policy reflects other minor, non-substantive formatting revisions.

Fiscal Impact

There is no fiscal impact.

Rationale for Recommendation

The recommended action will enhance the efficiency of CalOptima’s operations and governance.

Concurrence

Gary Crockett, Chief Counsel
Board of Directors’ Governance

Attachments

1. Resolution No. 19-1003-01 Amending Resolution No. 12-0301-01 to Amend CalOptima Policy GA. 3202: CalOptima Signature Authority
2. Proposed Revised CalOptima Policy GA.3202, CalOptima Signature Authority Policy (redlined and clean)
3. Board Action dated March 1, 2012, Adopt Resolution No. 12-0301-01, Delegating Authority to the Chief Executive Officer to make Budget Allocation Changes Within Certain Parameters, Approve Revisions to the Procurement Policy, Adopt a Signature Authority Policy, and Adopt Other Governance Recommendations

/s/ Michael Schrader
Authorized Signature

9/12/2019
Date

RESOLUTION NO. 19-1003-01

**RESOLUTION OF THE BOARD OF DIRECTORS
ORANGE COUNTY HEALTH AUTHORITY
d.b.a. CalOptima**

**AMENDING RESOLUTION NO. 12-0301-01 TO REPLACE CALOPTIMA POLICY GA.3202:
CALOPTIMA SIGNATURE AUTHORITY**

WHEREAS, section 13.1 of the Bylaws of the Orange County Health Authority, dba CalOptima, provide that the Board of Directors shall adopt by resolution, and may from time to time amend, procedures, practices and policies for, inter alia, purchasing and acquiring the use of equipment and supplies, and acquiring, constructing, and leasing real property and improvements; and

WHEREAS, the CalOptima Board of Directors adopted Resolution No. 12-0301-01 on March 1, 2012, delegating authority to make budget allocation changes to the Chief Executive Officer (CEO) within certain parameters, approving revisions to the Procurement Policy, adopting a Signature Authority Policy, and delegating authority to the CEO to manage CalOptima's Records Retention Policy; and

WHEREAS, the Board of Directors now wishes to update the CalOptima Signature Authority Policy to reflect operational changes and efficiencies.

NOW, THEREFORE, BE IT RESOLVED:

Section 1. That the CalOptima Signature Authority Policy attached to Resolution No. 12-0301-01 is hereby amended by amending CalOptima Policy GA.3202: CalOptima Signature Authority Policy, as set forth in the attachment hereto and incorporated herein.

APPROVED AND ADOPTED by the Board of Directors of the Orange County Health Authority, d.b.a., CalOptima this 3rd day of October 2019.

AYES:
NOES:
ABSENT:
ABSTAIN:

/s/ _____
Title: Chair, Board of Directors
Printed Name and Title: Paul Yost M.D., Chair, CalOptima Board of Directors

Attest:
/s/ _____
Sharon Dwiers, Interim Clerk of the Board

Policy #: GA.3202
 Title: **CalOptima Signature Authority**
 Department: CalOptima Administrative Finance
 Section: Finance/Financial Affairs

CEO Approval: Michael Schrader Michael Schrader

Effective Date: 3/1/12 Revised: 7
 Last Revised Date: TBD /
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I. PURPOSE

This policy sets forth the requirements for the execution of any document binding CalOptima in any manner.

II. POLICY

- A. A CalOptima officer or employee may not expend any funds, or take any other action on behalf of CalOptima, unless the Board of Directors (Board) has approved such expenditure or action, or delegated its power to that officer or employee, subject to an articulated standard.
- B. No document of any type whatsoever that binds CalOptima to undertake or refrain from undertaking any action, or to expend any CalOptima funds, shall be entered into except pursuant to this policy.
- C. In order for any document to bind CalOptima, the Board of Directors must have: (1) appropriated funds for the purpose identified in that document, (2) authorized the subject matter of the underlying action, and (3) the document must be executed by an authorized CalOptima representative, as identified in this policy.
- D. Amendments or other changes to any document binding CalOptima must be approved and executed in the same manner as the original document, except for minor price deviations, as provided within this policy.

III. PROCEDURE

- A. Board of Directors Appropriation: Except in emergency circumstances, as set forth CalOptima Policy GA.5002: Purchasing ~~Policy~~, no money may be expended for any purpose unless that money has been appropriated by the Board of Directors, through the operating or capital budget or

1 individual Board action, and the subject matter of the expenditure has been approved by the Board
2 of Directors, as set forth in this policy.

3
4 B. Board of Directors Approval: No document binding CalOptima shall be entered into except
5 pursuant to the approval of the CalOptima Board of Directors. In approving, the Board may
6 delegate to a CalOptima officer the authority to enter into agreements that memorialize or are
7 related to the approved action, subject to the assistance of legal counsel, rather than approving a
8 specific binding document. Such approval must be through one of the following means:
9

10 1. Individual Board Action: To constitute an authorization through individual Board action, that
11 action must either identify the subject matter of the authorization with reasonable specificity to
12 allow the Board to make an informed decision and to allow staff to proceed without requiring
13 any further fundamental policy decisions to be made, and must specify the nature and scope of
14 that subject matter, such as amount, duration, reporting, or other limitations or requirements, as
15 may be appropriate to the subject matter. Documents regarding arrangements in which the
16 compensation is based in any part on monies recovered or costs avoided by the arrangement
17 (contingency fee contracts) may only be entered into on the basis of a specific, individual Board
18 action.
19

20 2. Operational or Capital Budget: To constitute an authorization through inclusion in CalOptima's
21 operational or capital budget, expenditures must appear in a budget line item presented to the
22 Board, be related to a Board-approved program or service, and meet the following
23 requirements:
24

25 a. Healthcare goods and services (for the direct provision of Covered Services): The Board of
26 Directors must approve, in the operating budget, an amount related to the healthcare or
27 related service, and the expenditure must be pursuant to the criteria approved by the Board
28 in an individual Board action, such as rates or rate methodologies, when adopted.
29

30 b. Non-healthcare-related goods and non-professional services: To constitute an authorization
31 through inclusion in the operating or capital budget, non-healthcare-related goods, non-
32 professional services or other expenditure items must appear in a budget line item presented
33 to the Board, specifying the following:
34

35 i. The description of specific goods, services or other expenditure;

36
37 ii. The number or duration of the goods, services or other expenditure items if available;
38 and
39

40 iii. The dollar amount of the expenditure.
41

42 c. Non-medical professional services: Excluding those professional services contracts that
43 must be authorized by direct Board action for legal or policy reasons, to constitute an
44 authorization through inclusion in the operational or capital budget, non-medical
45 professional services expenditure items must appear in a budget line item presented to the
46 Board, specifying the following:
47

48 i. The specific type of professional services to be obtained (e.g., actuarial, legal,
49 management consulting, program evaluation, etc.), and the type of firm that would
50 provide them (e.g., law firm, consultant, architect, engineer, etc.);

- ii. The objective of the professional services; and
- iii. The amount of the expenditure.

C. Signature Authority: Documents executed pursuant to Board Authority, as identified in Section III.B of this policy, may only be executed by the person expressly authorized to sign.

1. For authorizations that specify the signature authority in individual CalOptima Board Action Agenda Referral (COBARs), all related binding documents shall be executed by the person expressly authorized to sign.
2. For authorizations that do not specify the signature authority in individual COBARs, all related binding documents shall be executed as follows:
 - a. Healthcare goods and services: For binding documents (such as contracts, amendments, consents to assignment, and letters of agreement (LOAs)), including all those related to procurement of any goods and services that are Covered Services under any of CalOptima's lines of business, (e.g., those item budgeted under Section III.B.2.a):
 - i. Except as provided in subsection ii of this Section, execution shall be by the Chief ~~Executive Officer (CEO)~~ or the Chief Operating Officer: ~~(COO)~~.
 - ii. For CalOptima Direct (COD) contracts that contain no changes from the standard ~~boilerplate contract~~, and are for rates that do not exceed the Board of ~~Directors~~ ~~Director~~ approved rates for the healthcare goods and services, execution may be by the ~~Chief Executive Officer, Chief Operating Officer~~ ~~CEO, COO~~, or the Executive Director, ~~CalOptima Care~~ ~~Network~~: ~~Operations~~.
 - b. ~~Purchasing Budget and Vendor Management~~ Department binding documents (such as contracts, amendments, consents to assignment, and purchase orders), for non-healthcare-related goods and services (e.g., those items budgeted under Sections III.B.2.b and III.B.2.c) shall be executed by the:
 - i. ~~Chief Executive Officer~~ ~~CEO~~ and the Chief Financial Officer: ~~(CFO)~~, for documents involving an amount of two hundred fifty thousand dollars (\$250,000) or more;
 1. ~~For those contracts of two hundred fifty thousand dollars (\$250,000) or more, the COO shall have delegated signature authority in the absence of either the CFO or the CEO.~~
 - ii. ~~Chief Executive Officer~~ ~~CEO~~ for documents for less than two hundred fifty thousand dollars ~~—~~(\$250,000);
 - iii. ~~Chief Financial Officer~~ ~~CFO~~ for documents for one hundred thousand dollars (\$100,000) or ~~—~~less;
 - iiii. ~~Controller~~ or the Director of ~~Financial Compliance Budget and Procurement~~ for documents for twenty-five thousand dollars (\$25,000) or less; and

v. Purchasing Manager for documents for ten thousand dollars (\$10,000) or less.

~~vi. For contracts of two hundred fifty thousand dollars (\$250,000) or more, the Chief Operating Officer shall have delegated signature authority in the absence of either the Chief Financial Officer or the Chief Executive Officer.~~

~~vii.~~ vi. Price term modifications in documents where payment is on a time and materials or per item basis, and that do not exceed ten percent (10%) of the original price term, either separately or cumulative, may be executed based on the price term increase amount. All other document modifications must be executed in the same manner as the original contract.

c. Emergency expenditure binding documents, related to emergency expenditures, as defined in CalOptima Policy GA.5002: Purchasing ~~Policy~~, shall be executed by the ~~Chief Executive Officer~~ CEO or his or her ~~designee~~ Designee.

d. Government program contracts, documents that legally or by their terms require the signature of the governing body, and real property transaction documents (including leases) shall be executed by the Chair of the Board of Directors.

e. Employee reimbursements must be made, in accordance ~~to~~ with the CalOptima Policy GA.5004: Travel Policy.

f. All Other ~~Binding Documents~~ binding documents (e.g., ~~MOUs, Memoranda of Understanding (MOU)~~, Settlement Agreements, etc.) shall be executed by the ~~Chief Executive Officer~~ CEO or Chair of the Board of Directors.

~~IV. ATTACHMENTS~~

IV. ATTACHMENT(S)

Not Applicable

V. REFERENCES

~~A. CalOptima Policy AA.1001: Glossary of Terms~~

~~B.A. CalOptima Policy GA.5002: Purchasing Policy~~

~~C.B. CalOptima Policy GA.5004: Travel Policy~~

VI. APPROVALS OR REGULATORY APPROVAL(S)

None to Date

VI.VII. BOARD ACTION(S)

3/1/12: CalOptima Regular Board Meeting

<u>Date</u>	<u>Meeting</u>
<u>03/01/2012</u>	<u>Regular Meeting of the CalOptima Board of Directors</u>

VII.VIII. REVISION HISTORY

Policy #: GA.3202

Title: CalOptima Signature Authority

Revised Date: 3/1/13

A. 7/1/12: GA.3202: CalOptima Signature Authority

B. 3/1/12: GA.3202: CalOptima Signature Authority

VIII. KEYWORDS

- _____ Authority
- _____ Contract
- _____ Document
- _____ Payment
- _____ Purchasing
- _____ Signature

<u>Action</u>	<u>Date</u>	<u>Policy</u>	<u>Policy Title</u>	<u>Program(s)</u>
<u>Effective</u>	<u>03/01/2012</u>	<u>GA.3202</u>	<u>CalOptima Signature Authority</u>	<u>Administrative</u>
<u>Revised</u>	<u>07/01/2012</u>	<u>GA.3202</u>	<u>CalOptima Signature Authority</u>	<u>Administrative</u>
<u>Revised</u>	<u>03/01/2013</u>	<u>GA.3202</u>	<u>CalOptima Signature Authority</u>	<u>Administrative</u>
<u>Revised</u>	<u>TBD</u>	<u>GA.3202</u>	<u>CalOptima Signature Authority</u>	<u>Administrative</u>

1 **IX. GLOSSARY**
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<u>Term</u>	<u>Definition</u>
<u>CalOptima Direct (COD)</u>	<u>A direct health care program operated by CalOptima that includes both COD-Administrative (COD-A) and CalOptima Community Network (CCN) and provides services to Members who meet certain eligibility criteria as described in Policy DD.2006: Enrollment In/Eligibility with CalOptima Direct.</u>
<u>Covered Services</u>	<u>Medi-Cal: Those services provided in the Fee-For-Service Medi-Cal program, as set forth in Title 22, California Code of Regulations (CCR), Division 3, Subdivision 1, Chapter 3, beginning with Section 51301, and Title 17, CCR, Chapter 4, Subchapter 13, Article 4, beginning with Section 6840, which are included as Covered Services under CalOptima’s Contract with DHCS and are Medically Necessary, along with chiropractic services (as defined in Section 51308 of Title 22, CCR), podiatry services (as defined in Section 51310 of Title 22, CCR), and speech pathology services and audiology services (as defined in Section 51309 of Title 22, CCR), or other services as authorized by the Board of Directors, which shall be covered for Members notwithstanding whether such benefits are provided under the Fee-For-Service Medi-Cal program.</u> <u>OneCare:</u> <u>Those medical services, equipment, or supplies that CalOptima is obligated to provide to Members under the Centers of Medicare & Medicaid Services (CMS) Contract.</u> <u>OneCare Connect:</u> <u>Those medical services, equipment, or supplies that CalOptima is obligated to provide to Members under the Three-Way contract with the Department of Health Care Services (DHCS) and Centers for Medicare & Medicaid Services (CMS).</u> <u>PACE:</u> <u>Those items and services provided by CalOptima under the provisions of Welfare & Institutions Code section 14132 except those services specifically excluded under the contract with the Department of Health Care Services.</u>
<u>Designee</u>	<u>A person selected or designated to carry out a duty or role. The assigned designee is required to be in management or hold the appropriate qualifications or certifications related to the duty or role.</u>
<u>Letter of Agreement (LOA)</u>	<u>An agreement with a specific Provider regarding the provision of a specific Covered Service to a Member in the absence of a Contract for the provision of such Covered Service.</u>
<u>Memorandum of Understanding (MOU)</u>	<u>An agreement between CalOptima and an external agency, which delineates responsibilities for coordinating care for Members.</u>

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DRAFT_20190919FAC

CEO Approval: Michael Schrader_____

Effective Date: 03/01/2012

Revised Date: TBD

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I. PURPOSE

This policy sets forth the requirements for the execution of any document binding CalOptima in any manner.

II. POLICY

- A. A CalOptima officer or employee may not expend any funds, or take any other action on behalf of CalOptima, unless the Board of Directors (Board) has approved such expenditure or action, or delegated its power to that officer or employee, subject to an articulated standard.
- B. No document of any type whatsoever that binds CalOptima to undertake or refrain from undertaking any action, or to expend any CalOptima funds, shall be entered into except pursuant to this policy.
- C. In order for any document to bind CalOptima, the Board of Directors must have: (1) appropriated funds for the purpose identified in that document, (2) authorized the subject matter of the underlying action, and (3) the document must be executed by an authorized CalOptima representative, as identified in this policy.
- D. Amendments or other changes to any document binding CalOptima must be approved and executed in the same manner as the original document, except for minor price deviations, as provided within this policy.

III. PROCEDURE

- A. Board of Directors Appropriation: Except in emergency circumstances, as set forth CalOptima Policy GA.5002: Purchasing, no money may be expended for any purpose unless that money has been appropriated by the Board of Directors, through the operating or capital budget or individual Board action, and the subject matter of the expenditure has been approved by the Board of Directors, as set forth in this policy.
- B. Board of Directors Approval: No document binding CalOptima shall be entered into except pursuant to the approval of the CalOptima Board of Directors. In approving, the Board may delegate to a CalOptima officer the authority to enter into agreements that memorialize or are related to the approved action, subject to the assistance of legal counsel, rather than approving a specific binding document. Such approval must be through one of the following means:
 - 1. Individual Board Action: To constitute an authorization through individual Board action, that action must either identify the subject matter of the authorization with reasonable specificity to allow the Board to make an informed decision and to allow staff to proceed without requiring

1 any further fundamental policy decisions to be made, and must specify the nature and scope of
2 that subject matter, such as amount, duration, reporting, or other limitations or requirements, as
3 may be appropriate to the subject matter. Documents regarding arrangements in which the
4 compensation is based in any part on monies recovered or costs avoided by the arrangement
5 (contingency fee contracts) may only be entered into on the basis of a specific, individual Board
6 action.

7
8 2. Operational or Capital Budget: To constitute an authorization through inclusion in CalOptima's
9 operational or capital budget, expenditures must appear in a budget line item presented to the
10 Board, be related to a Board-approved program or service, and meet the following
11 requirements:

12
13 a. Healthcare goods and services (for the direct provision of Covered Services): The Board of
14 Directors must approve, in the operating budget, an amount related to the healthcare or
15 related service, and the expenditure must be pursuant to the criteria approved by the Board
16 in an individual Board action, such as rates or rate methodologies, when adopted.

17
18 b. Non-healthcare-related goods and non-professional services: To constitute an authorization
19 through inclusion in the operating or capital budget, non-healthcare-related goods, non-
20 professional services or other expenditure items must appear in a budget line item presented
21 to the Board, specifying the following:

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23 i. The description of specific goods, services or other expenditure;

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25 ii. The number or duration of the goods, services or other expenditure items if available;
26 and

27
28 iii. The dollar amount of the expenditure.

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30 c. Non-medical professional services: Excluding those professional services contracts that
31 must be authorized by direct Board action for legal or policy reasons, to constitute an
32 authorization through inclusion in the operational or capital budget, non-medical
33 professional services expenditure items must appear in a budget line item presented to the
34 Board, specifying the following:

35
36 i. The specific type of professional services to be obtained (e.g., actuarial, legal,
37 management consulting, program evaluation, etc.), and the type of firm that would
38 provide them (e.g., law firm, consultant, architect, engineer, etc.);

39
40 ii. The objective of the professional services; and

41
42 iii. The amount of the expenditure.

43
44 C. Signature Authority: Documents executed pursuant to Board Authority, as identified in Section
45 III.B of this policy, may only be executed by the person expressly authorized to sign.

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47 1. For authorizations that specify the signature authority in individual CalOptima Board Action
48 Agenda Referral (COBARs), all related binding documents shall be executed by the person
49 expressly authorized to sign.

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51 2. For authorizations that do not specify the signature authority in individual COBARs, all related
52 binding documents shall be executed as follows:

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- a. Healthcare goods and services: For binding documents (such as contracts, amendments, consents to assignment, and letters of agreement (LOAs)), including all those related to procurement of any goods and services that are Covered Services under any of CalOptima's lines of business, (e.g., those item budgeted under Section III.B.2.a):
 - i. Except as provided in subsection ii of this Section, execution shall be by the Chief Executive Officer (CEO) or the Chief Operating Officer (COO).
 - ii. For CalOptima Direct (COD) contracts that contain no changes from the standard boilerplate contract, and are for rates that do not exceed the Board of Director approved rates for the healthcare goods and services, execution may be by the CEO, COO, or the Executive Director, Network Operations.
 - b. Budget and Vendor Management Department binding documents (such as contracts, amendments, consents to assignment, and purchase orders), for non-healthcare-related goods and services (e.g., those items budgeted under Sections III.B.2.b and III.B.2.c) shall be executed by the:
 - i. CEO and the Chief Financial Officer (CFO), for documents involving an amount of two hundred fifty thousand dollars (\$250,000) or more;
 - 1. For those contracts of two hundred fifty thousand dollars (\$250,000) or more, the COO shall have delegated signature authority in the absence of either the CFO or the CEO.
 - ii. CEO for documents for less than two hundred fifty thousand dollars (\$250,000);
 - iii. CFO for documents for one hundred thousand dollars (\$100,000) or less;
 - iv. Controller or the Director of Budget and Procurement for documents for twenty-five thousand dollars (\$25,000) or less; and
 - v. Purchasing Manager for documents for ten thousand dollars (\$10,000) or less.
 - vi. Price term modifications in documents where payment is on a time and materials or per item basis, and that do not exceed ten percent (10%) of the original price term, either separately or cumulative, may be executed based on the price term increase amount. All other document modifications must be executed in the same manner as the original contract.
 - c. Emergency expenditure binding documents, related to emergency expenditures, as defined in CalOptima Policy GA.5002: Purchasing, shall be executed by the CEO or his or her Designee.
 - d. Government program contracts, documents that legally or by their terms require the signature of the governing body, and real property transaction documents (including leases) shall be executed by the Chair of the Board of Directors.
 - e. Employee reimbursements must be made, in accordance with the CalOptima Policy GA.5004: Travel Policy.

- f. All Other binding documents (e.g., Memoranda of Understanding (MOU), Settlement Agreements, etc.) shall be executed by the CEO or Chair of the Board of Directors.

IV. ATTACHMENT(S)

Not Applicable

V. REFERENCES

- A. CalOptima Policy GA.5002: Purchasing
- B. CalOptima Policy GA.5004: Travel Policy

VI. REGULATORY APPROVAL(S)

None to Date

VII. BOARD ACTION(S)

Date	Meeting
03/01/2012	Regular Meeting of the CalOptima Board of Directors

VIII. REVISION HISTORY

Action	Date	Policy	Policy Title	Program(s)
Effective	03/01/2012	GA.3202	CalOptima Signature Authority	Administrative
Revised	07/01/2012	GA.3202	CalOptima Signature Authority	Administrative
Revised	03/01/2013	GA.3202	CalOptima Signature Authority	Administrative
Revised	TBD	GA.3202	CalOptima Signature Authority	Administrative

1 IX. GLOSSARY

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Term	Definition
CalOptima Direct (COD)	A direct health care program operated by CalOptima that includes both COD-Administrative (COD-A) and CalOptima Community Network (CCN) and provides services to Members who meet certain eligibility criteria as described in Policy DD.2006: Enrollment In/Eligibility with CalOptima Direct.
Covered Services	<p>Medi-Cal: Those services provided in the Fee-For-Service Medi-Cal program, as set forth in Title 22, California Code of Regulations (CCR), Division 3, Subdivision 1, Chapter 3, beginning with Section 51301, and Title 17, CCR, Chapter 4, Subchapter 13, Article 4, beginning with Section 6840, which are included as Covered Services under CalOptima’s Contract with DHCS and are Medically Necessary, along with chiropractic services (as defined in Section 51308 of Title 22, CCR), podiatry services (as defined in Section 51310 of Title 22, CCR), and speech pathology services and audiology services (as defined in Section 51309 of Title 22, CCR), or other services as authorized by the Board of Directors, which shall be covered for Members notwithstanding whether such benefits are provided under the Fee-For-Service Medi-Cal program.</p> <p>OneCare: Those medical services, equipment, or supplies that CalOptima is obligated to provide to Members under the Centers of Medicare & Medicaid Services (CMS) Contract.</p> <p>OneCare Connect: Those medical services, equipment, or supplies that CalOptima is obligated to provide to Members under the Three-Way contract with the Department of Health Care Services (DHCS) and Centers for Medicare & Medicaid Services (CMS).</p> <p>PACE: Those items and services provided by CalOptima under the provisions of Welfare & Institutions Code section 14132 except those services specifically excluded under the contract with the Department of Health Care Services.</p>
Designee	A person selected or designated to carry out a duty or role. The assigned designee is required to be in management or hold the appropriate qualifications or certifications related to the duty or role.
Letter of Agreement (LOA)	An agreement with a specific Provider regarding the provision of a specific Covered Service to a Member in the absence of a Contract for the provision of such Covered Service.
Memorandum of Understanding (MOU)	An agreement between CalOptima and an external agency, which delineates responsibilities for coordinating care for Members.

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CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken March 1, 2012 **Regular Meeting of the CalOptima Board of Directors**

Report Item

VII. E. Adopt Resolution No. 12-0301-01, Delegating Authority to the Chief Executive Officer to Make Budget Allocation Changes Within Certain Parameters, Approve Revisions to the Procurement Policy, Adopt a Signature Authority Policy, and Adopt Other Governance Recommendations

Contact

Michael Engelhard, Chief Financial Officer, 714-246-8400

Recommended Actions

1. Delegate authority to make budget allocation changes to the Chief Executive Officer (CEO), within certain parameters;
2. Approve proposed revisions to the Procurement Policy;
3. Adopt the attached Signature Authority Policy; and
4. Delegate the authority to the CEO to manage CalOptima's records retention policy and ensure compliance with applicable State and Federal laws, regulations and contract requirements.

Background

The CalOptima Board is the legislative body of CalOptima and is responsible for making all fundamental policy determinations. Board members are also ultimately responsible for expenditures of public funds and may under certain circumstances be held personally liable for improper expenditures such as gift of public funds.

Within the parameters of the legal framework in which CalOptima operates, the CalOptima Board may delegate certain authority to staff or to Board committees to execute decisions on behalf of the CalOptima Board provided that these delegations are accompanied by adequate transparency and safeguards to guide the use of the delegated power and prevent abuse. The Bylaws of CalOptima describe committees, including the Quality Assurance and Finance and Audit Committees. These committees are subject to the Brown Act and other laws applicable to local public agencies. The Bylaws provide in part that, "All committees shall be advisory only to the Board unless otherwise specifically authorized to act by the Board." To date, the Board has not delegated to these committees the authority to act on behalf of the Board.

Recently, several Board members have inquired about the need for the Board to approve various items that appear on meeting agendas, including those items that have been analyzed and approved by either the Finance and Audit Committee or Quality Assurance Committee. With the 2010 enactment of the Patient Protection and Affordable Care Act (ACA) and the

changing healthcare environment, the Board faces many new challenges and opportunities during the short period between now and full implementation of the ACA.

The existing board approved Procurement Policy (GA.5002) was last revised in January 2004. This policy established the way that CalOptima procures goods and services. Key features of the policy are:

1. Setting the process for bidding and awarding of contracts (excluding provider contracts)
2. Established a fair and competitive approach to contracting
3. Provided for both budgeted and non-budgeted requisition limits
4. Established signature authority on contracts.

Certain language in the current policy, particularly around non-budgeted requisition authority, is vague, causing ambiguity in the policy and its application. A primary goal of the proposed action is to establish and clarify the policy's parameters to ensure efficient and transparent application.

Discussion

With input from legal counsel, the Ad Hoc Committee recommended changes that are summarized below:

1. **Budget Allocation Change.** Delegate authority to the Chief Executive Officer to authorize changes to the Board-approved Medical Services, Capital and Administrative budgets within parameters.
 - A. **Budget variances within Board-approved supplemental programs included in the Medical Services Budget.** To the extent that there are unexpended budgeted funds approved for a specific supplemental program in the medical services budget (e.g., quality incentive programs), the CEO shall have authority to move up to a cumulative amount of \$100,000 into or out of any supplemental program under the Medical Services Budget subject to the conditions and limitations set forth below. Any budget substitution of \$100,000 or more is subject to the approval of the Board. Payments for supplemental programs are not for base rate payments (e.g. per diems, capitation rate, etc.), but are targeted to address a specific need or activity (e.g., quality incentives, incentive grants, etc.). Substitutions within the medical services budget the CEO may make shall be:
 - i. For a program or activity that has been explicitly approved by the Board, either through the Medical Services Budget or previous Board action;
 - ii. Limited to the same line of business, e.g., OneCare expenditure cannot be moved to Medi-Cal;

- iii. Budget neutral in the context of the Medical Services Budget for that line of business, which establishes targets or estimates of the provider payment portion of the overall Budget; and
- iv. Reported monthly to the Board as part of the Financial Report for the month in which the budget allocation change was made and reported to the Finance and Audit Committee with analysis on a quarterly basis, for the quarter in which the budget allocation change was made..

B. Capital Budget. Delegate to the CEO the authority to make a substitution of a capital item for a different capital item at a cost of less than \$100,000 in the Board-approved Capital Budget subject to the conditions and limitations set forth below. Any budget substitution of \$100,000 or more is subject to the approval of the Board.

Substitutions within the Capital Budget that the CEO may make shall be:

- i. For a program, item or activity that has been explicitly approved by the Board, either through the Capital Budget or previous Board action;
- ii. Budget neutral in the overall Capital Budget;
- iii. Reported monthly to the Board as part of the Financial Report for the month in which the budget allocation change was made and reported to the Finance and Audit Committee with analysis on a quarterly basis, for the quarter in which the budget allocation change was made; and
- iv. Within the same capital expense category, which for purposes of the Capital Budget shall be defined as follows:
 - o Information Systems Hardware
 - o Information Systems Software, or
 - o Furniture, Fixtures and Equipment (FF&E).

For example, if the Board-approved I.S. Hardware budget includes \$100,000 each for computer servers and computer printers, the CEO would have the authority to buy only \$80,000 in printers and purchase a total of \$120,000 in computer servers. In other words, based on a less than budgeted need for printers and a greater than budgeted need for servers, the CEO would be authorized to deploy the \$20,000 in unexpended budgeted printer dollars to purchase servers.

C. Administrative Budget. Delegate to the CEO the authority to make a substitution of an approved administrative expense of less than \$100,000 for another approved administrative expense subject to the conditions and limitations below. Any budget substitution of \$100,000 or more is subject to the approval of the Board. Examples of included programs or activities would be: ICD-10, NCQA, MSI Transition, Health Care Reform analysis, Long-Term Care Integration, Behavioral Health integration, etc. The administrative portion of the Medical Services Budget (i.e., expenses for medical management, utilization management, etc.) shall have the same substitutions

- policy as outlined for the Administrative Budget substitutions described in this section. Substitutions the CEO may make shall be:
- i. For a program, activity, or item that has been explicitly approved by the Board, either through the Administrative Budget or previous Board action;
 - ii. Limited to the same line of business, e.g., OneCare expenditure cannot be moved to Medi-Cal;
 - iii. Budget neutral in the context of the Board-approved Administrative Budget for any specific fiscal year; and
 - iv. Reported monthly to the Board as part of the Financial Report for the month in which the budget substitution change was made and reported to the Finance and Audit Committee with analysis on a quarterly basis, for the quarter in which the budget substitution change was made.
2. Procurement Policy. Approve proposed changes to the CalOptima Procurement Policy, as attached and summarized below:
- A. General Purchasing Issues
 - i. Change references throughout from “Procurement” to “Purchasing.”
 - ii. Eliminate the “Non-budgeted requisition” section
 - iii. Move signature authority to a separate Signature Authority Policy (attached)
 - iv. Clarify that dollar limits apply on a per vendor, per fiscal year basis
 - v. Clarify that the exceptions to the policy regarding grants applies only if the grant specifies a different set of Purchasing criteria
 - vi. Add optional bidders conference to non-Public Works formal bid process
 - vii. Change notice period for unsuccessful bidders from 72 hours to 10 business days
 - viii. Require contracts to accompany all RFPs/RFQs for goods and services.
 - ix. Add explicit reference to the requirement that all vendors comply with CalOptima’s Code of Conduct
 - B. Goods and Non-Professional Services
 - i. For contracts that are awarded through a formal bidding process, recommends a best practice for contracts not to exceed five years in duration.
 - ii. Add non-professional services to the procurement of goods section
 - C. Professional Services
 - i. Add licensure requirements (if applicable) to professional services description

- ii. Clarify that the professional services section does not apply to medical professional services

D. Public Works

- i. Add Public Works requisition guidelines
- ii. Add Public Works to the goods and services exceptions
- iii. Add a Public Works procurement section
- iv. Add requirements for prevailing wage, in accordance with the California Labor Code

E. Special Situations

- i. Add cross-references for sole source and emergency purchases in goods and services exceptions

F. Real Property

- i. Add real property cross-reference to new section
- ii. Add real property section (Board-directed process)

G. Information Systems/Telecommunications

- i. Increase competitive means threshold for IS/Telecom procurement to \$100,000

3. Signature Policy. Adopt a Signature Authority Policy to provide clear delegation of authority to bind CalOptima through various types of documents. The proposed policy (attached) can be summarized as follows:

A. Describes means of Board approval for expenditures (individual Board action or explicit description in the Board-approved budget), consistent with the June 3, 2010, Board action, allowing for authorization of expenditure through budget adoption, subject to certain details being presented in the budget

B. Clarifies that Contingency-based-payment contracts require separate Board approval

C. Defines signature authority, by purchasing type:

- i. Healthcare goods and services (for the direct provision of Covered Services)—CEO, COO (supersedes EE.1126: Authority to Sign Provider Operations Department Contracts and Letters of Agreement). Also allows Executive Director for CCN to execute standard COD contracts.
- ii. Purchasing Policy Goods and Services

- CEO, CFO
 - Director of Finance and Purchasing (up to \$25,000)
 - Purchasing Manager (up to \$10,000)
- iii. Emergency Expenditures—CEO
 - iv. Government Program and Real Estate Documents—Board Chair
 - v. All Others—CEO, Board Chair
4. Records Retention. Delegate authority to the CEO to manage CalOptima’s records retention policies, in accordance with all applicable state and federal laws and contract requirements. Currently, CalOptima’s records retention policy is a Board of Directors-approved policy, which adds a Board of Directors approval process for changes, complicating ensuring continuous compliance with state and federal requirements.

Fiscal Impact
None

Rationale for Recommendation
Enhance the efficiency of CalOptima’s operations and governance.

Concurrence
Gary Crockett, Chief Counsel
Board of Directors’ Governance Ad Hoc Committee

Attachments
Resolution No. 12-0301-01
Proposed Revised CalOptima Policy GA.5002, Purchasing Policy
Proposed CalOptima Signature Authority Policy

/s/ Richard Chambers
Authorized Signature

2/24/12
Date

RESOLUTION NO. 12-0301-01

**RESOLUTION OF THE BOARD OF DIRECTORS
ORANGE COUNTY HEALTH AUTHORITY
d.b.a. Orange Prevention and Treatment Integrated Medical Assistance
d.b.a. CalOptima**

DELEGATE AUTHORITY TO MAKE BUDGET ALLOCATION CHANGES TO THE CHIEF EXECUTIVE OFFICER (CEO) WITHIN CERTAIN PARAMETERS; APPROVE REVISIONS TO THE PROCUREMENT POLICY; ADOPT SIGNATURE AUTHORITY POLICY; DELEGATE AUTHORITY TO THE CEO TO MANAGE CALOPTIMA'S RECORDS RETENTION POLICY

WHEREAS, section 13.1 of the Bylaws of the Orange County Health Authority, dba CalOptima, provide that the Board of Directors shall adopt by resolution, and may from time to time amend, procedures, practices and policies for, inter alia, purchasing and acquiring the use of equipment and supplies, and acquiring, constructing, and leasing real property and improvements; and,

WHEREAS, the CalOptima Board of Directors adopted a Procurement Policy (GA.5002) in 1996 and amended said policy in 1997, 2000, and 2004; and,

WHEREAS, the Board of Directors now wishes to further update CalOptima's processes to ensure streamlined operations;

NOW, THEREFORE, BE IT RESOLVED:

That the Board of Directors hereby:

- I. Delegates authority to make budget allocation changes to the CEO, within the attached parameters;
- II. Approves the attached revised version of the Procurement Policy;
- III. Adopts the attached Signature Authority Policy; and
- IV. Delegates the authority to the CEO to manage CalOptima's records retention policy and ensure compliance with applicable State and Federal laws, regulations and contract requirements.

APPROVED AND ADOPTED by the Board of Directors of the Orange County Health Authority, d.b.a., CalOptima this 1st day of March, 2012.

RESOLUTION NO. 12-0301-01

Page 2

AYES: Bui, Kacic, McAleer, Nguyen, Penrose, Refowitz, Riley

NOES: None

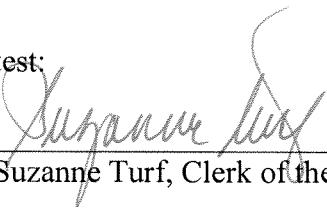
ABSENT: Foo, Pereyda

ABSTAIN: None

/s/  _____

Title: Chair, Board of Directors

Printed Name and Title: Edward B. Kacic, Chair, CalOptima Board of Directors

Attest:
/s/  _____
Suzanne Turf, Clerk of the Board



Policy #: GA. 5002
 Title: **Purchasing Policy**
 Dept.: Finance
 Section: Financial Affairs
 Board of Directors/CEO: Richard Chambers_____
 Effective Date: 9/96 Revised 10/97; 01/00; 01/04;
 02/11

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I. PURPOSE

This policy establishes the organization and administration of a unified, fair and effective process for the procurement of goods and services essential to the operations of CalOptima, and may be amended from time to time in order that it remains consistent with current best business practices.

II. POLICY

A. Unless exempted by this policy herein and/or applicable law, the Chief Financial Officer or designee, with the assistance of the Purchasing Department, is charged with the authority and responsibility for the following:

1. Acquiring equipment, supplies and services for all departments in an economical, expeditious and reasonable manner in accordance with this policy;
2. Identifying qualified vendors and developing and promoting good vendor relationships;
3. Educating and training employees and vendors on this policy and the purchasing process;
4. Providing assistance to departments in preparing specifications and in analysis of bids received; and
5. Awarding contracts and assuring vendor performance through contract administration.

B. A requisition for purchase of supplies, equipment or services, including Public Works projects, shall be approved only by a person who has been properly authorized in accordance with this policy. The Board of Directors has delegated requisition authority to the Chief Executive Officer. The Chief Executive Officer has further delegated that authority and in the amounts provided below. Any person in a position delegated authority below may appoint a designee, in writing, to act in his or her stead when that person is ~~away from CalOptima for one or more days~~ unavailable. The Purchasing Department shall have full authority to question the quality, quantity, kind, and source of materials and services being requisitioned.

C. Requisition Approval Limits – Goods and Services except as specified in D. and E. below

Employee Position	Authority Limit
Manager	\$ 1,000
Director	10,000
Executive Director or Officer	100,000
Chief Executive Officer	Over 100,000

D. Requisition Approval Limits – Public Works Projects

Employee Position	Authority Limit
Facilities Manager	\$ 10,000
Chief Administrative Officer	100,000
Chief Executive Officer	Over 100,000

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2 E. Requisition Approval Limits – Computer Hardware, Software and Services
3 Telecommunications Goods and Services

Employee Position	Authority Limit
I.S. Manager	\$ 10,000
I.S. Director	\$ 50,000
I.S. Executive Director, Chief Information Officer	100,000
Chief Executive Officer	Over 100,000

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5 F. Funding for all requisitions shall be approved by the Board of Directors through:

- 6 a. The annual operating or capital budget,
7 b. Specific Board action, or
8 c. A Budget Allocation Change, in accordance with CalOptima Policy GA.5003: Budgets and
9 Operations Forecasting

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11 G. To enable the Board of Directors to consider approval through the operating and capital budgets, the
12 budget submission must meet the requirements of Section III.B.2. of Policy XX.YYYY: Signature
13 Authority Policy.

14
15 H. Signature authorization for contracts, agreements, leases, and/or purchase orders resulting from this
16 policy is addressed in CalOptima Policy XX.YYYY: Signature Authority. For all CalOptima contracts
17 requiring the vendor's signature, CalOptima authorized signature representatives shall sign the contract
18 documents only after the contract documents have been signed by the vendor.

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20 I. Informal Bidding

21 Set forth below are the generally accepted methods of purchasing, which may be adjusted from time to
22 time for CalOptima's Best Interest and to reflect current best business practices. All formal and
23 informal requests for prices in the form of bids, quotations or proposals for all materials, services and
24 equipment purchased, must be made by the Purchasing Department, unless otherwise delegated by the
25 Purchasing Department in writing. Pre-qualified vendor relationships shall be reviewed periodically,
26 at least every five (5) years, to ensure consistency in quality, service and competitive pricing. For the
27 purposes of this policy, the response to any request for prices, requests for quotations or invitations for
28 bids shall collectively be referred to as a "bid" or "bids".

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30 1. Purchases of Goods and Services as specified in Section II. C., Public Works projects as specified
31 in Section II. D. and Computer Hardware, Software and Services and Telecommunications Goods
32 and Services as specified in Section II.E. above, valued at under ten thousand dollars (\$10,000) per
33 vendor per fiscal year, not including applicable taxes and freight charges, referred to as small
34 procurements, may be made on a discretionary basis without solicitation of bids. The Purchasing
35 Department may establish pre-qualified vendor relationships for common small purchases to
36 leverage pricing to the maximum extent practicable.
37
38 2. Purchases of Goods and Services as specified in Section II. C. above valued from ten thousand

dollars (\$10,000) ~~to fifty thousand dollars~~ (\$50,000) per vendor per fiscal year, or between ten thousand dollars (\$10,000) and one hundred thousand dollars (\$100,000) per vendor per fiscal year for computer equipment and telecommunications goods and services, not including applicable taxes and freight charges, require solicitation of at least two (2) informal bids and/or quotations from known suppliers.

3. Purchases for Public Works projects and Computer Hardware, Software and Services and Telecommunications Goods and Services specified in Section II.D. and Section II. E. above valued from ten thousand dollars (\$10,000) or more per vendor per fiscal year, or one hundred thousand dollars or more for computer equipment and telecommunications goods and services to \$100,000, excluded taxes and freight charges, shall be made in accordance with this policy under Section(s) II. M., or L. as applicable. Such purchases require solicitation of at least two (2) informal bids and/or quotations from known suppliers. Contracts for software licenses or software maintenance agreements, or computer equipment purchases must be approved in writing by the Information Services Department.
4. Public Works Projects shall be procured in accordance with the limits and procedures of Section II.M
5. Contracts for the provision of healthcare services must be coordinated by the Provider Operations Department with approval of ~~the contracts by the Chief Executive Office~~ an appropriate signing party under Policy XX.YYYY: Signature Authority, within limits delegated by the Board of Directors, and with approval of the contract template and any deviations therefrom ~~documents~~ by the Legal Counsel.

J. Formal Bidding

Provisions Applicable to Purchasing of Goods, and Non-Professional Services shall be made by Request for Quotations (RFQ), Request for Proposals (RFP) or Invitations for Bid (IFB).

- a. Unless exempted in Section II.J.2 below, or by applicable law, purchases of items under Section II.C., including any purchase of goods, material, supplies or non- professional services (e.g., printing, graphic design, mail processing, janitorial, or hard copy file storage, etc.) to be furnished, sold, or leased to CalOptima, involving an expenditure of more than fifty thousand dollars (\$50,000). shall be procured using a formal request for bids in the form of formal Request for Quotations, Requests for Proposal and/or Invitations for Bid

Unless exempted in Section II.J.2 below or by applicable law, Public Works projects under Section II.D. and the purchase of Computer Hardware, Software and Services and Telecommunications Goods and Services under Section II.E. valued at more than one hundred thousand dollars (\$100,000) shall be procured using a formal request for bids in the form of a formal RFQ, RFP or IFB, as provided in Sections II.M. and II.L., respectively Public Works involving construction or demolition, including tenant improvements, shall include detailed plans and specifications prepared by an architect, engineer or other licensed professional acting within the scope of his or her license. Formal requests for bids for Public Works projects sent to Offerors will include a construction contract template, and any deviations therefrom, approved by Legal Counsel.

- b. Exceptions to Bidding

- 1 a. Contracts for non-medical professional services, including special services and advice in
2 financial, economic, accounting, engineering, legal, medical consulting and administrative
3 matters, if such persons have the necessary experience, training, competence, and licensure (if
4 applicable) to perform the special services required, may be made without soliciting or
5 securing bids, but shall be awarded according to the guidelines in Section II.K. of this policy.
6
- 7 b. Contracts for the acquisition of computer hardware, software, and other peripheral equipment
8 and related services (referred to as “computer equipment”), and telecommunications goods
9 and services may be made without soliciting bids, but shall be awarded according to the
10 guidelines specified in Section II.L. of this policy.
- 11
- 12 c. Contracts for the undertaking of Public Works Projects, which shall be awarded according to
13 the provision of Section II.M. of this policy.
- 14
- 15 d. Contracts for the provision of health care and related services.
- 16
- 17 e. Sole source or emergency purchases, which shall only be undertaken in accordance with
18 Sections II.O. and II.P. respectively.
- 19
- 20 f. Acquisitions or transfers of real property, which shall only be undertaken in accordance with
21 Section II.Q.-
22
- 23 g. Subcontracts and other agreements entered into by CalOptima in fulfilling its obligations
24 under a federal, state, local or private grant, if the grant requires that an alternative set of
25 procurement policies, rules, or regulations be used (e.g., the Federal Acquisition Regulation
26 (FAR)).
27
- 28 c. Bid Procedures for formal bidding for goods and non-professional services
29
- 30 a. Preparation.
31 Before entering into any contract which requires formal bidding, CalOptima shall prepare or
32 cause to be prepared a bid package. The bid package may take the form of a RFQ, RFP or IFB.
33 To the extent practicable, the bid package shall include full, complete, and accurate plans and
34 specifications, giving such direction as will enable any competent vendor to ascertain and carry
35 out the contract requirements.
36
- 37 b. Notice of formal bids.
38 All prospective bidders who have not been suspended or debarred by any regulatory agency
39 within the last three years, have notified CalOptima in writing or via the CalOptima website
40 that they desire to bid on contracts, and all prospective bidders which CalOptima would like to
41 bid on contracts, shall be furnished with an automated e-mail announcement that there is a
42 request for quotation, request for proposal or invitation for bids (as applicable) posted on the
43 CalOptima website for them to download. The RFQ, RFP or IFB shall include information as
44 to the type, quality, quantity, date, location and other bid requirements. The notice shall
45 specify the place bids are to be received and the time by which they are to be received. Notice
46 may also be made by telephone, telegram, personal contact, letter, or other informal means.
47 Any bids received after the due date and specified time shall be returned unopened, except as
48 otherwise provided herein.

1
2 c. Advertising/Publication.

3 Except in cases of emergency or where circumstances require the immediate letting of a
4 contract, information advising interested parties how to obtain specifications, and specifying
5 the place bids are to be received and the time by which they are to be received, shall be given
6 via the automated e-mail system. The RFQ, RFP or IFB will be posted on the Website from the
7 issue date until the date the proposal is due.

8
9 Methods of publicizing of the bids shall include at least two of the following:

- 10
11
12 i. RFQ's, RFP's or IFB's will appear on the Supplier tab of CalOptima's Web Site on the
13 date the documents will be issued; or
14
15 ii. In a newspaper of general circulation once a week for two consecutive weeks published
16 in such places most likely to reach prospective bidders; or
17
18 iii. In trade journals or papers of general circulation as the Chief Financial Officer, or
19 designee, deems proper.
20
21 iv. The Chief Executive Officer or designee may waive any irregularity or informality in the
22 publication procedures.

23
24 d. Bid Form.

25 The bid package shall furnish to each prospective bidder an appropriate bid form and bid
26 package prepared by CalOptima for the type of contract being let. Bids not presented on forms
27 so furnished shall be disregarded as non-responsive. All bids must be accompanied by a non-
28 collusion affidavit.

29
30 e. Presentation of Bids under Sealed Cover.

31 All bids shall be presented under sealed cover on or before the bid deadline. After receipt, the
32 bid shall be date-stamped.

33
34 f. Withdrawal of Bids.

35 Bids may be withdrawn at any time prior to the time fixed in the notice for the opening of bids
36 only by written request made to the person or entity designated in charge of the bidding
37 procedure. The withdrawal of the bids does not prejudice the right of the bidder to timely file a
38 new bid. No bidder may withdraw his bid after opening for at least a period of forty-five (45)
39 days thereafter.

40
41 g. Bidder's Conference.

42 CalOptima may hold a bidders' conference or conduct a site visit, as it deems necessary and
43 appropriate. In such cases, CalOptima shall include the date, time and location in the bid
44 documents. The conference or site visit shall be at least five (5) days after publication of the
45 notice of formal bid.

46
47 d. Award of Contracts

48 a. Opening of Bids.

1 On the day named in the bid notice, CalOptima shall open the sealed bids. Award of the
2 contract shall be to the ~~lowest-qualified~~lowest-price qualified and responsive bidder, if at all, as
3 determined in CalOptima's sole discretion. Award shall be made within forty-five (45) days
4 after opening, unless the bid package specifies otherwise or the Chief Executive Officer or
5 designee extends the time. All bidders shall have complied with the foregoing bid procedures,
6 except as otherwise provided herein. After a bid is opened it shall be deemed irrevocable for
7 the period specified in the invitation to bid. Bids shall be irrevocable for a minimum of forty-
8 five (45) days after the opening thereof.

9
10 c. Awards to the Second and Third Lowest Price Qualified Bidders.

11 If it is deemed to be in CalOptima's Best Interest, CalOptima may, on refusal or failure of the
12 successful bidder to execute the contract or comply with other bid requirements, award it to the
13 second lowest price qualified bidder. If the second ~~lowest-qualified~~lowest-price qualified
14 bidder fails or refuses to execute the contract or comply with other bid requirements,
15 CalOptima may likewise award it to the third lowest price qualified bidder.

16
17 d. Only One Bid or Proposal Received.

18 If only one bid or proposal is received in response to the RFQ, RFP or IFB, an award may be
19 made to the sole bidder provided that CalOptima finds that the price or proposal submitted is
20 fair, reasonable and in CalOptima's Best Interest.

21
22 e. Qualified Bidder

23 CalOptima's determination of a qualified bidder shall be based on analysis of each bidder's
24 ability to perform, financial statement (if required), experience, past record and any other
25 factors it shall deem relevant. If the lowest price bidder is to be rejected because of an adverse
26 determination of the bidder's responsibility based on CalOptima's decision, the bidder shall be
27 entitled to be informed of the adverse evidence and afforded an opportunity to rebut that
28 evidence and to present evidence of responsibility.

29
30 5. Contract Renewal.

31 For contracts that are awarded through a formal bidding process, it is recommended to follow the
32 industry best practice for which contracts ~~shall~~ not exceed five years in duration, the goods or
33 services must be rebid, ~~unless the Board approves continuation beyond five years for good cause~~
34 ~~(e.g., it may not be reasonable to rebid a proprietary information system, such as FACETS, given~~
35 ~~the training and productivity costs of having to train a large number of employees on a new~~
36 ~~system).~~

37
38 6. Negotiated Purchase

39 CalOptima reserves the right and at its sole discretion, to informally solicit one or more alternative
40 proposals from one or more qualified vendor(s), in the event that a procurement solicitation results
41 in no acceptable vendor responses based on the criteria set forth in the solicitation package. The
42 Chief Financial Officer or designee may use a procedure to select a vendor by "competitive
43 means." This would include one or more the following methods when deemed by the CFO or
44 designee as an appropriate means under the circumstances to permit CalOptima's Best Interests to
45 be served:

- 46
47 a. The preparation and circulation of an RFP or RFQ to an adequate number of qualified sources.
48 An adequate number shall be defined as two or more qualified sources, as determined by the

1 Chief Financial Officer or designee based on the number of qualified sources believed to be
2 capable of submitting a satisfactory proposal after reasonable inquiry.

- 3
4 b. Posting to the Website, publishing, communicating telephonically or otherwise publicizing the
5 RFP or RFQ in a manner intended to disseminate the RFP or RFQ to an adequate number of
6 qualified sources.
7
8 c. Soliciting comparable rates charged by other vendors for similar services to ensure a
9 competitive price.
10
11 d. Any other means determined by the Chief Financial Officer or designee as reasonably
12 expected to disseminate the RFQ or RFP to an adequate number of qualified sources.
13

14 7. Criteria for Award of Contract via Negotiated Purchase

- 15 a. Contracts shall be awarded based on the determination of which vendor has the most cost
16 effective and beneficial solution. In making this determination, the following evaluation tools
17 shall apply as appropriate:
18
19 i. Price.
20
21 ii. Payment or financial terms offered by contractor.
22
23 iii. The extent to which the proposal meets or exceeds CalOptima's technical
24 requirements and, if purchased, can be expected to accomplish the specified
25 goals.
26
27 iv. Offeror's relevant experience in the area of purchase/project.
28
29 v. A demonstrated quality, dependability and responsiveness of the Offeror and any
30 subcontractors providing installation, integration, consulting maintenance or other goods
31 and services including Public Works.
32
33 vi. For capital equipment, the anticipated salvage or resale value of the components, if any,
34 based upon its anticipated useful life.
35
36 vii. For Computer Hardware, Software and Services and Telecommunications Goods and
37 Services, the anticipated expense and disruption to CalOptima facilities and services
38 involved in upgrading or integrating additional components to the system and/or
39 maintaining the system which may be necessary to accommodate the expansion of
40 CalOptima facilities, keep pace with technology, provide for system back-up or obtain
41 necessary parts and service.
42
43 viii. Offeror's familiarity with CalOptima.
44
45 ix. Offeror's reputation in the community.
46
47 x. Special expertise in the area of purchase.
48

1 xi. Such other criteria, consistent with this policy and the goal of achieving the most cost-
2 effective solution to CalOptima's requirements, as the Chief Financial Officer or
3 designee may establish.
4

5 b. These criteria shall be applied by the Chief Financial Officer or designee using a scoring or
6 other system designed to determine which of the proposals submitted provides the most viable
7 solution to CalOptima's requirements. The basis for such determination shall be documented
8 by the Purchasing Department in a manner which permits the Board, the Chief Financial
9 Officer or designee to reasonably evaluate compliance with this policy.
10

11 8. Waiver and Rejection Rights

12 CalOptima reserves the right to reject any and all bids or proposals or to waive any
13 informality or non-substantive defects in bids or proposals to serve CalOptima's Best
14 Interest. Only those bids or proposals which are deemed by CalOptima to be responsive to
15 the RFP or RFQ shall be considered. The Purchasing Department shall ensure maximum
16 protection of CalOptima's Best Interest consistent with ensuring an equal opportunity and
17 fair and equitable treatment for all bidders and Offerors.
18

19 9. Notice to Bidders Not Awarded the Contract

20 Whenever a contract is not to be awarded to a bidder, such bidder shall be notified by regular mail
21 within ten (10) business days after the award of the contract to another bidder.
22

23 10. Qualified Bidder

24 CalOptima's determination of a qualified bidder shall be based on analysis of each bidder's ability
25 to perform, financial statement (if required), experience, past record and any other factors it shall
26 deem relevant. If the lowest price bidder is to be rejected because of an adverse determination of
27 the bidder's responsibility based on CalOptima's decision, the bidder shall be entitled to be
28 informed of the adverse evidence and afforded an opportunity to rebut that evidence and to present
29 evidence of responsibility.
30

31 11. Extensions

32 The granting of an extension to the contractor is not a new contract. If a contractor makes an
33 application for an extension in writing, CalOptima shall consider matters germane to the particular
34 contract and shall not grant or deny the extension arbitrarily. However, in any contract which
35 includes provisions for liquidated damages, CalOptima's decision to extend the contract without
36 charge to the contractor shall be made only when the failure to complete the contract on time is not
37 attributable to the contractor's unreasonable delay or default.
38

39 12. Contract Documents

40 Contract documents shall be prepared in advance, with the approval of Legal Counsel and shall be
41 incorporated into the bid package.
42

43 13. Flexibility

44 In recognition of the fact that the contracting and purchasing needs of CalOptima may from time to
45 time render certain procedures herein impracticable, the Chief Financial Officer or designee are
46 authorized to permit or waive deviations from this policy, to the extent permitted by law, upon
47 making a written finding that such deviation is in CalOptima's Best Interests. Additionally,

1 provisions required to be included in Public Works and construction contracts (e.g. requirements
2 for performance bonds, insurance, etc.) may be included in other contracts if appropriate.
3

4 K. Provisions Applicable to Procurement of Non-Medical Professional Services.
5

6 1. Except as otherwise provided for in this policy, all procurements for professional services shall be
7 made in accordance with limits as set forth in the Board-approved annual operating budget.
8

9 2. Exceptions

10 Contracts for professional services, including special services and advice in financial, economic,
11 accounting, engineering, legal, or administrative matters, if such persons have the necessary
12 experience, training, competence, and licensure (if applicable) to perform the special services
13 required, may be made without soliciting or securing competitive offers, but shall be awarded
14 according to Section II.K. of this policy. If proposals are solicited, the procedure set forth herein,
15 modified as the Chief Executive Officer or designee shall determine to be in CalOptima's best
16 interest, shall be followed.
17

18 3. The Chief Executive Officer or designee may use a procedure to select a vendor involving an
19 expenditure of more than fifty thousand dollars (\$50,000) by "competitive means." This would
20 include one or more the following methods when deemed by the CEO or designee as an
21 appropriate means under the circumstances to permit reasonable conclusion that the proposed
22 contract is beneficial to CalOptima.
23

24 a. Preparation and circulation of a request for proposal (RFP) to an adequate number of qualified
25 sources.
26

27 b. Posting, publishing, communicating telephonically or otherwise publicizing RFP in a manner
28 intended to disseminate the RFP to an adequate number of qualified sources.
29

30 c. Soliciting comparable rates charged by other vendors for similar services to ensure a
31 competitive price.
32

33 4. Criteria for Award of Contract

34 Contracts for professional services shall be awarded based on the determination of which vendor
35 has the most cost-effective and beneficial solution to CalOptima's requirements. In making this
36 determination, the following evaluation tools shall apply as appropriate:
37

38 a. Price.
39

40 b. Payment or financial terms offered by contractor.
41

42 c. The relevant experience in the area of purchase.
43

44 d. A demonstrated quality, dependability and responsiveness.
45

46 e. Familiarity with type of business CalOptima is operating.
47

- 1 f. Familiarity with CalOptima.
- 2
- 3 g. Reputation in the community.
- 4
- 5 h. Special expertise in the area of purchase.
- 6
- 7 i. Other selection criteria as may be deemed appropriate.
- 8
- 9 j. These criteria shall be applied by the Board, Chief Executive Officer or designee in selecting
- 10 the vendor.
- 11
- 12 k. Exception: Pursuant to 40 U.S.C. §§ 1101-1104 and California Government Code §§ 4525-
- 13 4529.5, any RFP or RFQ for architectural or engineering services shall not, for the purposes of
- 14 ranking firms, be evaluated primarily on the basis of price. Once firms are determined to have
- 15 the requisite technical capabilities to meet the services required (e.g. experience, proposal,
- 16 technical expertise) CalOptima may then use price as a factor for the purposes of final ranking
- 17 determinations. CalOptima then shall seek to negotiate a fair and reasonable price with the top
- 18 ranked firm. If agreement on a fair and reasonable price cannot be reached, CalOptima shall
- 19 cease negotiations and move to the second ranked firm and seek to negotiate a fair and
- 20 reasonable price. This process shall continue until agreement with a firm is reached.
- 21

22 L. Provisions Applicable to Procurement of Computer Hardware, Software, and Other Peripheral
23 Equipment and Related Services (collectively “computer equipment”), and Telecommunications Goods
24 and Services.

- 25
- 26 1. CalOptima shall acquire computer equipment, and telecommunications goods and services
- 27 involving an expenditure of more than one hundred thousand dollars (\$100,000) or such other
- 28 amount as may be specified by law, through “competitive means”, except when the Chief
- 29 Executive Officer or designee determines either that (a) the goods and services proposed for
- 30 acquisition are the only goods and services which can meet CalOptima’s needs, or (b) the goods
- 31 and services are needed in cases of emergency where immediate acquisition is necessary for the
- 32 protection of the public health, welfare and safety.
- 33
- 34 2. As used in this policy, “competitive means” includes any one or more of the following methods,
- 35 when deemed by the Chief Executive Officer or designee as an appropriate means under the
- 36 circumstances to permit reasonable competition consistent with the nature and requirements of the
- 37 proposed acquisition:
- 38
- 39 a. The preparation and circulation of a request for quotations (RFQ) or request for proposals
- 40 (RFP) to an adequate number of qualified sources. An “adequate number” shall be defined as
- 41 two or more qualified sources, as determined by the Chief Executive Officer or designee based
- 42 upon the number of qualified sources believed to be capable of submitting a satisfactory
- 43 proposal, after reasonable inquiry.
- 44
- 45 b. Posting, publishing, communicating telephonically or otherwise publicizing the RFP in a
- 46 manner intended to disseminate the RFP to an adequate number of qualified sources.
- 47

1 c. Any other means determined by the Chief Executive Officer or designee as reasonably
2 expected to disseminate the RFP to an adequate number of qualified sources.
3

4 3. Criteria for Award of Contract

5 a. Contracts for computer equipment or telecommunications goods and services subject to this
6 policy shall be awarded based on a determination of which responsive proposal provides the
7 most cost-effective and beneficial solution to CalOptima's requirements. In making this
8 determination, the following evaluation criteria shall apply, as applicable:
9

- 10 i. The price of the components, installation and any related consulting, maintenance or
11 other services.
12
13 ii. The payment and financing terms offered by the contractor.
14
15 iii. The extent to which the components meet or exceed CalOptima's technical
16 requirements and can be expected to accomplish the specified goals.
17
18 iv. The demonstrated quality, dependability, and responsiveness of the contractor and any
19 subcontractors providing installation, integration, consulting, maintenance or other
20 services.
21
22 v. The anticipated expense and disruption to CalOptima services and facilities involved in
23 integrating additional components or upgrades into the system which may be necessary
24 to accommodate the expansion of CalOptima facilities or needs.
25
26 vi. The anticipated expense and disruption to CalOptima facilities and services involved in
27 integrating upgrades or retrofits into the system as necessary to keep pace with
28 technological improvements or refinements to the system.
29
30 vii. The anticipated expense and disruption to CalOptima facilities and services involved in
31 maintaining or repairing the system, including but not limited to implementing back-up
32 procedures while the system is down, and obtaining necessary parts and service.
33
34 viii. The quality and comprehensiveness of the warranty offered.
35
36 ix. The anticipated salvage or resale value of the components, if any, based upon its
37 anticipated useful life to CalOptima.
38
39 x. Such other criteria, consistent with this policy and the goal of achieving the most cost-
40 effective solution to CalOptima's requirements, as the Chief Executive Offer or
41 designee may establish.
42

43 b. These criteria shall be applied by the Chief Executive Officer or designee using a scoring or
44 other system designed to determine which of the proposals submitted provides the most viable
45 solution to CalOptima's requirements. The basis for such determination shall be documented by
46 the Purchasing Department in a manner which permits the Board, the Chief Executive Officer or
47 designee to reasonably evaluate compliance with this policy.

1
2 M. Provisions Applicable to Public Works Projects
3

4 1. CalOptima is not subject to the requirements of the California Public Contract Code calling for
5 competitive bidding and award of contracts to the lowest responsive, qualified bidder. This policy
6 establishes the generally accepted methods of procurement, which may be adjusted from time to
7 time in order to serve CalOptima's Best Interests or to reflect current best business practices. All
8 formal and informal requests for prices in the form of bids for all materials, services and equipment
9 purchased, must be made by the Purchasing Department, unless otherwise delegated by the
10 Purchasing Department in writing.

11 a. Purchases for less than ten thousand dollars (\$10,000) not including applicable taxes and
12 freight charges, referred to as small procurements, may be made on a discretionary basis
13 without solicitation of bids.
14

15 b. Purchases for ten thousand dollars (\$10,000) or more, but not exceeding one hundred thousand
16 dollars (\$100,000), require informal solicitation of bids and shall be made in accordance with
17 this policy, including the procedures described in Section II.M.2.
18

19 c. Purchases amounting to over one hundred thousand dollars (\$100,000) require formal
20 solicitation of bids, and shall be made in accordance with this policy, including the procedures
21 described in Section II.M.2.
22

23 d. All requests and contracts shall be based on forms approved by CalOptima's Legal
24 Department.
25

26
27 2. Procurement of Alterations to and Maintenance of Real Property and Other Public Works Projects
28

29 a. This section II.K.2. shall apply to any acquisition of goods and services for the physical
30 construction, alteration, demolition, installation or repair of real property, including fixtures,
31 painting, wiring, carpeting and other things incorporated into or permanently affixed to real
32 property.. CalOptima may elect to pre-qualify contractors to participate in informal and formal
33 bids.
34

35 b. No alteration to real property requiring a building permit, including tenant improvements in
36 leased spaces, shall be undertaken, except pursuant to detailed plans and specifications,
37 prepared by an architect, engineer, or other California-licensed professional acting within the
38 scope of her or his license. Any such alterations to CalOptima's leased spaces shall be
39 consistent with the terms and conditions of the lease, if any.
40

41 c. Purchases/Projects valued at less than \$10,000 shall be made in accordance with Section
42 II.M.1.
43

44 d. Purchases/Projects valued between \$10,000 and \$100,000 shall be made in accordance with
45 Section II.M.2.h.
46

47 e. Purchases/Projects valued at \$100,000 or more shall be made in accordance with Section
48 II.M.2.i.

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- f. Projects where the architect's or engineer's estimate is over \$100,000 must be bid through the formal bidding process set forth in Section II.M.2.g.
 - g. All bids must be accompanied by a non-collusion affidavit.
 - h. Informal Bid Procedures
 - i. Preparation.
A written request shall be prepared which shall, at a minimum, contain: (i) appropriately detailed plans and specifications or scope of work considering the value and technical complexity of the goods and/or services to be procured; (ii) the CalOptima staff person to whom the bid must be addressed; (iii) the date and time by which CalOptima must receive the bid; (iv) a statement that the bid must be firm for a period of not less than ninety (90) days from receipt by CalOptima; and (v) a copy of the construction contract.
 - ii. Evaluation.
The criteria for evaluating bids will be determined on a case-by-case basis, and will be stated in the written request.
 - iii. Bidder Pre-qualification
CalOptima may pre-qualify contractors for projects to be bid through this informal bid procedure, and may limit distribution of informal bid packets to pre-qualified contractors.
 - i. Formal Bid Procedures
 - i. Preparation.
CalOptima shall prepare or cause to be prepared a bid package. To the extent practicable, the bid package shall include full, complete, and accurate plans and specifications and estimates of cost, giving such directions as will enable any competent contractor to ascertain and carry out the contract requirements. The bid package shall also include a statement of the date and time by which CalOptima must receive bids, the criteria upon which the bids will be evaluated; and a copy of the construction contract.
 - ii. Notice/Request for Bids.
All prospective bidders who have notified CalOptima in writing that they desire to bid on contracts, and all prospective bidders which CalOptima would like to bid on contracts, shall be furnished with notice and a request for bids, including information as to the type, quality, quantity, date, location and other bid requirements. In addition to notifying all such persons, the notice shall specify the place bids are to be received and the time by which they are to be received.
 - iii. Advertising/Publication.
Except in cases of emergency or where circumstances require the immediate letting of a contract, information advising interested parties how to obtain specifications, and

1 specifying the place bids are to be received and the time by which they are to be
2 received, shall be given by publication once a week for at least two (2) consecutive
3 weeks, as follows:

4
5 (A) In a newspaper of general circulation published in such places as are most likely
6 to reach prospective bidders; or

7
8 (B) In trade journals or papers of general circulation as the Chief Executive Officer,
9 or designee, deems proper; or

10
11 (C) Electronic media may be used in lieu of newspaper advertisements if and when it
12 is believed this media will better serve the needs of CalOptima.

13
14 (D) The Chief Executive Officer or designee may waive any irregularity or
15 informality in the publication procedures.

16
17 iv. Bidders' Conference

18 CalOptima may hold a bidders' conference or conduct a site visit, as it deems
19 necessary and appropriate. In such cases, CalOptima shall include the date, time and
20 location in the bid documents. The conference or site visit shall be at least five (5) days
21 after publication of the notice.

22
23 v. Bid Form.

24 CalOptima shall furnish to each prospective bidder a bid package, including an
25 appropriate bid form, prepared by CalOptima for the type of contract being let. Bids
26 not presented on forms so furnished shall be disregarded.

27
28 vi. Presentation of Bids Under Sealed Cover.

29 All bids shall be presented under sealed cover. Upon receipt of each, the bid shall be
30 date-stamped. The bid shall be accompanied by a copy of the construction contract
31 duly executed by the bidder, but which will not be executed by CalOptima until
32 completion of the bid process and CalOptima Board approval, as necessary and
33 appropriate.

34
35 vii. Withdrawal of Bids.

36 Bids may be withdrawn at any time prior to the deadline for submitting bids fixed in
37 the notice only by written request made to the person or entity designated in charge of
38 the bidding procedure. The withdrawal of the bids does not prejudice the right of the
39 bidder to timely file a new bid. No bidder may withdraw his bid after opening for at
40 least a period of ninety (90) days thereafter.

41
42 viii. Opening of Bids and Award of Contract.

43 At the scheduled date and time, CalOptima shall open the sealed bids. Award of the
44 contract shall be to the ~~lowest qualified~~lowest-price qualified and responsive bidder, if
45 at all, within ninety (90) days after opening, unless the bid package specifies otherwise
46 or the Chief Executive Officer or designee extends the time. All bidders shall have
47 complied with the foregoing bid procedures, except as otherwise provided herein.
48 After a bid is opened it shall be deemed irrevocable for the period specified in the

1 request for bids. Bids shall be irrevocable for a minimum of ninety (90) days after the
2 opening thereof.

3
4 ix. Awards to the Second and Third Lowest Price Qualified Bidders.

5 If CalOptima deems it is in its best interest, it may, on refusal or failure of the
6 successful bidder to execute the contract or comply with other bid requirements, award
7 it to the second ~~lowest-qualified~~lowest-price qualified bidder. If the second lowest
8 price qualified bidder fails or refuses to execute the contract or comply with other bid
9 requirements, CalOptima may likewise award it to the third lowest price qualified
10 bidder.

11
12 x. Only One Bid or Proposal Received.

13 If only one bid or proposal is received in response to the request for bids, an award
14 may be made to the sole bidder, provided that CalOptima finds that the price submitted
15 is fair and reasonable.

16
17 xi. Notice to Bidders Not Awarded the Contract

18 Whenever a contract is not to be awarded to a bidder, such bidder shall be notified by
19 regular mail within seventy-two (72) hours after the award of the contract to another
20 bidder.

21
22 xii. Qualified Bidder

23 CalOptima's determination of a qualified bidder shall be based on analysis of each
24 bidder's ability to perform, financial statement (if required), experience, past record
25 and any other factors it shall deem relevant. If the lowest price bidder is to be rejected
26 because of an adverse determination of the bidder's responsibility based on
27 CalOptima's decision, the bidder shall be entitled to be informed of the adverse
28 evidence and afforded an opportunity to rebut that evidence and to present evidence of
29 responsibility.

30
31 xiii. Contract Documents

32 Contract documents shall be prepared in advance, with the approval of Legal Counsel,
33 and shall be incorporated into the bid package as indicated above.

34
35 j. Waiver and Rejection Rights

36 CalOptima reserves the right to reject any and all bids, or to waive any informality or non-
37 substantive defects in bids, as the interest of CalOptima may require. Only those bids shall be
38 considered that are deemed by CalOptima to be responsive to the Request for Bid (RFB) or
39 Request for Quotations (RFQ). The Purchasing Department shall ensure maximum protection of
40 CalOptima's interest consistent with ensuring an equal opportunity and fair and equitable treatment
41 for all bidders.

42
43 k. Extensions

44 The granting of an extension to the contractor is not a new contract. If a contractor makes an
45 application for an extension in writing, CalOptima shall consider matters germane to the particular
46 contract, and shall not grant or deny the extension arbitrarily. However, in any contract which
47 includes provisions for liquidated damages, CalOptima's decision to extend the contract without

1 charge to the contractor shall be made only when the failure to complete the contract on time is not
2 attributable to the contractor's unreasonable delay or default.

3 l. Provisions of the policy may be waived by the CalOptima Board.

4
5 m. All contractors contracted by CalOptima for the performance of Public Works Projects , as defined
6 in California Labor Code Section 1720, shall pay not less than the required prevailing wages, as
7 provided in Section 1771 of the California Labor Code, if the total payments under that contract are
8 more than \$1,000.

9
10 n. Payment Bonds – Pursuant to California Civil Code § 3247, for any Public Works project in excess
11 of \$25,000, the prime contractor shall submit a payment bond, in a form approved by the Chief
12 Financial Officer and from a surety authorized to do business in the State of California, in the
13 amount of 100% of the contract price.

14
15 N. Cooperative Purchases

16
17 When it is in CalOptima's Best Interest, the Purchasing Department may enter into or use pre-existing
18 cooperative purchasing agreements for acquisition of goods and services with any entity or group and
19 execute respective contracts under those agreements.

20
21 O. Sole Source Purchases

22
23 Sole source purchases are not competitively bid and shall not be used unless there is clear and
24 convincing evidence that only one (1) acceptable source exists to fulfill CalOptima's requirements.
25 Sole source purchases involve goods or services that are unique or novel to only one (1) supplier, or
26 products and/or services that are designed to match others already in use.

27
28 P. Emergency Purchases

29
30 1. The Chief Executive Officer, or designee, may authorize emergency purchases in cases that have or
31 could impose significant provable loss to CalOptima or where human life or property is endangered.
32 When an emergency condition arises, and the need cannot be met through normal procurement
33 methods, the emergency purchase shall be made with such competition as is feasible under the
34 circumstances. Contracts and other documents related to such emergency procurements shall be
35 executed in accordance with the requirements of CalOptima Policy XX.YYYY: CalOptima
36 Signature Authority.

37
38 2. The person responsible for the emergency purchase shall provide written documentation stating the
39 basis of the emergency purchase and the reasoning for the selection of the particular contractor. A
40 written account of the emergency circumstances shall be sent promptly to the Chief Executive
41 Officer and the Board of Directors. Normal purchasing procedures shall be followed as soon as the
42 emergency is over.

43
44 Q. Real Property Transactions

45
46 CalOptima shall not enter into any transaction for the purchase, sale, lease (including any sublease or
47 lease assignment, whether CalOptima is the lessor, lessee, sublessor, sublessee, assignor or assignee),

1 or termination of lease of any real property, or enter into negotiations related to such transactions,
2 without the prior approval of the Board of Directors, pursuant to a Board action addressed solely to the
3 transaction or set of related transactions , and setting forth the parameters under which the negotiations
4 may proceed. Such negotiations and transactions on behalf of CalOptima shall be carried out
5 exclusively by the person or persons designated by the Board of Directors.

6
7 R. Ethics

- 8
9 1. CalOptima employees shall conduct themselves in such a manner as to foster public confidence in
10 the integrity of the CalOptima procurement process.
11
12 2. CalOptima employees shall perform their duties impartially to ensure that vendors have fair and
13 competitive access to do business with CalOptima.
14
15 3. Employees, officers or agents of CalOptima shall be subject to the Conflict of Interest Laws of the
16 State of California and the CalOptima Code of Conduct. Employees, officers or agents of
17 CalOptima who violate these standards shall be subject to the penalties, sanctions or other
18 disciplinary actions provided for therein.
19
20 4. Gratuities, Kickbacks, and Contingency Fees
21 a. No CalOptima employee shall solicit, demand, or accept from any person anything of
22 monetary value for, or because of, any action taken, or to be taken, in the performance of
23 his/her duties. An employee failing to adhere to the above shall be subject to any disciplinary
24 proceeding deemed appropriate by CalOptima, including possible dismissal.
25
26 b. CalOptima employees shall adhere to all provisions of the CalOptima Policy AA.1204 Gift,
27 Honoraria, and Travel Payment.
28
29 5. Confidential Information
30 a. No CalOptima employee shall use confidential information for his or her actual or anticipated
31 personal gain, or the actual or anticipated personal gain of any other person related to such
32 CalOptima employee by blood, marriage, or by common commercial or financial interest. An
33 employee failing to adhere to this requirement shall be subject to any disciplinary proceeding
34 deemed appropriate by CalOptima, up to and including dismissal.
35
36 b. CalOptima employees shall not divulge confidential information to any vendor, consultant, or
37 contractor.
38
39 6. Vendor Relations
40 a. CalOptima employees may discuss, on an informal basis, non-financial requirements with
41 contractors, consultants, and vendors. Employees may also solicit information such as
42 brochures and other descriptive material from vendors, consultants, and contractors.
43
44 b. CalOptima employees shall not meet with vendors, consultants, and/or contractors regarding
45 specific financial requirements unless a representative of the Purchasing Department is present
46 at the meeting.
47

- 1 c. CalOptima employees shall not bind, or appear to bind, CalOptima in any way, financially, or
2 otherwise, except as provided for in CalOptima Policy XX.YYYY: Signature Authority. Only
3 the Board, Chief Executive Officer or his/her designee, and those staff designated as signing
4 authorities in Policy XX.YYYY: CalOptima Signature Authority may financially or
5 contractually bind CalOptima.
6
7 d. No employee, officer or agent of CalOptima shall participate in the selection, award or
8 administration of an agreement, or in any decision that may have a foreseeable impact on a
9 vendor if a conflict of interest, real or implied, exists. Such a conflict arises when any one of
10 the following has a financial or other interest in the firm selected for award:
11
12 i. A CalOptima employee, officer, or agent;
13
14 ii. The employee, officer or agent's spouse or dependent children;
15
16 iii. The employee, officer or agent's domestic or business partner;
17
18 iv. An organization that employs or has made an offer of employment to any of the above.
19

20 **III. PROCEDURE**

21 Not Applicable
22
23

24 **IV. REFERENCE**

- 25
26 A. California Fair Political Practices Commission Form 700 - Statement of Economic Interests
27 B. CalOptima Compliance Program
28 C. CalOptima Policy AA.1204: Gifts, Honoraria, and Travel Payments
29 D. CalOptima Code of Conduct
30 E. CalOptima Conflict of Interest Code.
31 F. CalOptima Signature Authority Policy.
32

33 **DEFINITIONS**

- 34
35 A. Public Works: Public Works means any work of improvement contracted for by a public entity
36 (such as CalOptima). Work of improvement includes, but is not restricted to, the construction,
37 alteration, addition to, or repair, in whole or in part, of any building, whether owned or leased by a
38 public entity.
39 B. RFQ: Request for Quotation: A purchasing method generally used when specifications are known
40 for goods and services of all types. A request is sent to vendors along with a specifications of the
41 commodity needed or a description of the services required. The vendor is asked to respond with
42 price and other information by a pre-determined date. Evaluation and recommendation for award
43 should be based on the quotation that best meets price, quality, delivery, service, past performance
44 and reliability.
45 C. RFP: Request for Proposal: The document used to solicit proposals from potential vendors for
46 goods and services. This is generally used when the specification for the good or service is known,
47 but the vendors advice is needed regarding how to buy the good or implement the service. The
48 price is usually not the primary evaluation factor. It provides for the negotiation of all terms,

1 including price prior to contract award. The RFP may include a provision for the negotiation of
2 Best and Final offers. It may be a single or multi-step process.

3 D. IFB: Invitation for Bids: The document used to solicit bids from potential contractors for a fixed
4 project with established plans and specifications. This is generally used for the procurement of
5 Public Works.

6 D. CalOptima's Best Interest:– The discretionary rationale used by a purchasing official in taking
7 action most advantageous to the jurisdiction when it is impossible to adequately delineate a specific
8 response by law or regulation.

9 E. Pre-Qualification (of bidders):– The screening of potential vendors in which such factors as
10 financial capability, reputation, and management are considered in order to develop a list of
11 qualified businesses who may then be allowed to submit bids.

12 F. Bidder's Conference:– A meeting to discuss technical, operational and performance specifications,
13 and/or the full extent of financial, security and other contractual obligations with potential bidders,
14 related to bid solicitation before the bid closes.

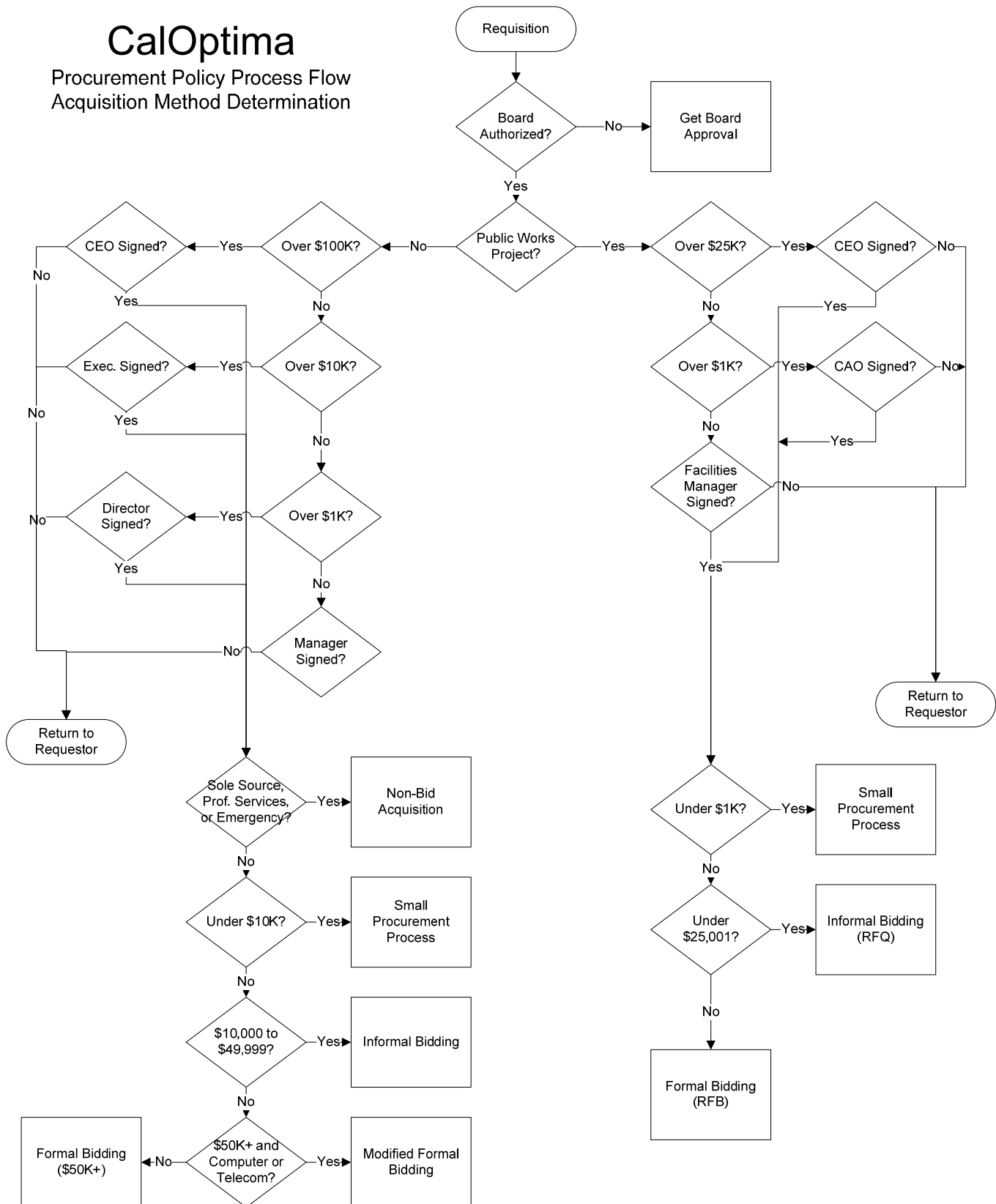
15 G. Offeror:– The person/entity who submits a proposal in response to a Request for Proposal or
16 Request for Quotation.

17 H. Scope of Work: (SOW): A written description of the contractual requirements for materials and
18 services contained within a RFQ or RFP. A well-conceived and clearly written SOW serves four
19 main purposes:

- 20 • Establishes clear understanding of what is needed;
- 21 • Encourages competition in the marketplace and promotes economic stimulus;
- 22 • Satisfies a critical need of government; and
- 23 • Obtains the best value for the taxpayer.
- 24

CalOptima

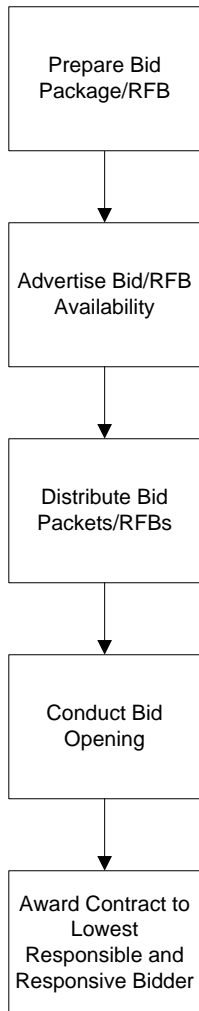
Procurement Policy Process Flow Acquisition Method Determination



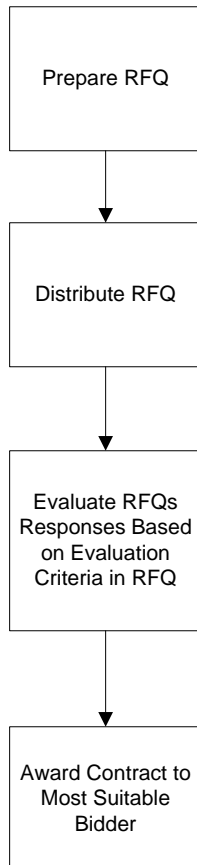


CalOptima
 Procurement Policy
 Acquisition Method Flows
 Non-Public Works

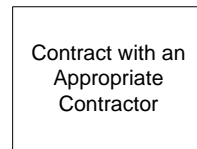
Formal Bid Process



Informal Bidding Process



Small (under \$1,000) Project Procurements



CalOptima
Procurement Policy
Acquisition Method Flows
Public Works



Policy #: _____
 Title: CalOptima Signature Authority
 Dept.: _____
 Section: _____
 Board of Directors/CEO: Richard Chambers _____
 Effective Date: _____

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I. PURPOSE

This policy sets forth the requirements for the execution of any document binding CalOptima in any manner.

II. POLICY

- A. A CalOptima officer or employee may not expend any funds, or take any other action on behalf of CalOptima, unless the Board has approved such expenditure or action, or delegated its power to that officer or employee, subject to an articulated standard.
- B. No document of any type whatsoever that binds CalOptima to undertake or refrain from undertaking any action, or to expend any CalOptima funds, shall be entered into except pursuant to this Policy.
- C. In order for any document to bind CalOptima, (1) the Board of Directors must have appropriated funds for the purpose identified in that document, (2) authorized the subject matter of the underlying action, and (3) the document must be executed by an authorized CalOptima representative, as identified in this Policy.
- D. Amendments or other changes to any document binding CalOptima must be approved and executed in the same manner as the original document, except for minor price deviations as provided within this Policy.

III. PROCEDURE

- A. Board of Directors Appropriation—Except in emergency circumstances, as set forth CalOptima Policy GA.5002: Procurement Policy, no money may be expended for any purpose unless that money has been appropriated by the Board of Directors, through the operating or capital budget or individual Board action, and the subject matter of the expenditure has been approved by the Board of Directors, as set forth in Section III.B. of this Policy.
- B. Board of Directors Approval—No document binding CalOptima shall be entered into except pursuant to the approval of the CalOptima Board of Directors. In approving, the Board may delegate to a CalOptima officer the authority to enter into agreements that memorialize or are related to the approved action, subject to the assistance of legal counsel, rather than approving a specific binding document. Such approval must be through one of the following means:
 - 1. Individual Board Action—To constitute an authorization though individual Board action, that action must either identify the subject matter of the authorization with reasonable specificity to allow the Board to make an informed decision and to allow staff to proceed without requiring any further fundamental policy decisions to be made, and must specify the nature and scope of that subject matter, such as amount, duration, reporting, or other limitations or requirements as may be appropriate to the subject matter. Documents regarding arrangements in which the compensation is based in any part on monies recovered or costs avoided by the arrangement

Policy #:

Title: CalOptima Signature Authority

1 (contingency fee contracts) may only be entered into on the basis of a specific, individual Board
2 action.

3
4 2. Operational or Capital Budget—To constitute an authorization through inclusion in
5 CalOptima’s operational or capital budget, expenditures must appear in a budget line item
6 presented to the Board, be related to a Board-approved program or service, and meet the
7 following requirements:

8
9 a. Healthcare Goods and Services (for the direct provision of Covered Services). The
10 Board of Directors must approve, in the operating budget, an amount related to the
11 healthcare or related service, and the expenditure must be pursuant to the criteria
12 approved by the Board in an individual Board action, such as rates or rate
13 methodologies, when adopted.

14
15 b. Non-Healthcare-Related Goods and Non-Professional Services—To constitute an
16 authorization through inclusion in the operating or capital budget, non-healthcare-
17 related goods, non-professional services or other expenditure items must appear in a
18 budget line item presented to the Board, specifying the following:

19
20 i. The description of specific goods, service or other expenditure;

21
22 ii. The number or duration of the goods, service or other expenditure item if
23 available; and,

24
25 iii. The dollar amount of the expenditure.

26
27 c. Non-Medical Professional Services—Excluding those professional services contracts
28 that must be authorized by direct Board action for legal or policy reasons, to constitute
29 an authorization through inclusion in the operational or capital budget, non-medical
30 professional services expenditure items must appear in a budget line item presented to
31 the Board, specifying the following:

32
33 i. The specific type of professional services to be obtained (e.g., actuarial, legal,
34 management consulting, program evaluation, etc.), and the type of firm that
35 would provide them (e.g., law firm, consultant, architect, engineer, etc.);

36
37 ii. The objective of the professional services; and,

38
39 iii. The amount of the expenditure.

40
41 d. Limitation on Budgetary Authorizations—Authorizations made under this Section
42 III.B.2. only apply to the particular purchase or contract identified in the budget, and do
43 not convey authority for the undertaking of any program, project, or operation to which
44 the contract or purchase relates. Such programs, projects, or operations must be
45 approved through individual Board action as provided above in Section III.B.1.

46
47 C. Signature Authority—Documents executed pursuant to Board Authority, as identified in Section III.B.
48 of this policy, may only be executed by the following authorized signers:
49

Policy #:

Title: CalOptima Signature Authority

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1. For authorizations that specify the signature authority in individual COBARs, all related binding documents shall be executed by the person expressly authorized to sign.

2. For authorizations that do not specify the signature authority in individual COBARs, all related binding documents shall be executed as follows:
 - a. Healthcare goods and services For binding documents (such as contracts, amendments, consents to assignment, and letters of agreement (LOAs)), including all those related to procurement of any goods and services that are Covered Services under any of CalOptima’s lines of business, (e.g., those item budgeted under Section III.B.2.a.):
 - i. Except as provided in subsection ii of this Section, execution shall be by the Chief Executive Officer or the Chief Operating Officer.
 - ii. For COD contracts that contain no changes from the standard boilerplate contract, and are for rates that do not exceed the Board of Directors-approved rates for the healthcare goods and services, execution may be by the Chief Executive Officer, Chief Operating Officer, or the Executive Director, CalOptima Care Network.

 - b. Purchasing Department binding documents (such as contracts, amendments, consents to assignment, and purchase orders),for non-healthcare-related goods and services (e.g., those items budgeted under Sections III.B.2.b and III.B.2.c) shall be executed by the:
 - i. Chief Executive Officer and the Chief Financial Officer, for documents involving an amount of two hundred fifty thousand dollars (\$250,000) or more;
 - ii. Chief Executive Officer for documents for less than two hundred fifty thousand dollars (\$250,000);
 - iii. Chief Financial Officer for documents for one hundred thousand dollars (\$100,000) or less;
 - iv. Director of Finance and Purchasing for documents for twenty-five thousand dollars (\$25,000) or less; and,
 - v. Purchasing Manager for documents for ten thousand dollars (\$10,000) or less.
 - vi. For contracts of two hundred fifty thousand dollars (\$250,000) or more, the Chief Operating Officer shall have delegated signature authority in the absence of either the Chief Financial Officer or the Chief Executive Officer.
 - vii. Price term modifications in documents where payment is on a time and materials or per item basis, and that do not exceed ten percent (10%) of the original price term, either separately or cumulative, may be executed based on the price term increase amount. All other document modifications must be executed in the same manner as the original contract.

Policy #:

Title: CalOptima Signature Authority

- 1 c. Emergency expenditure binding documents, related to emergency expenditures as
- 2 defined in CalOptima Policy GA.5002: Procurement Policy, shall be executed by the
- 3 Chief Executive Officer or designee.
- 4
- 5 d. Government program contracts, documents that legally or by their terms require the
- 6 signature of the governing body, and real property transaction documents (including
- 7 leases) shall be executed by the Chair of the Board of Directors.
- 8
- 9 e. All Other Binding Documents (e.g., MOUs, Settlement Agreements, etc.) shall be
- 10 executed by the Chief Executive Officer or Chair of the Board of Directors.
- 11

12 **IV. FORMS**

13 None

14

15

16 **V. REFERENCE**

17 None

18

CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken September 19, 2019 **Meeting of the CalOptima Board of Directors'** **Finance and Audit Committee**

Report Item

5. Consider Recommending Board of Directors' Approval of Reappointments to the Board of Directors' Investment Advisory Committee

Contact

Nancy Huang, Interim Chief Financial Officer, (714) 246-8400

Recommended Action

Recommend that the Board of Directors reappoint the following individuals to the CalOptima Board of Directors' Investment Advisory Committee (IAC) for two-year terms beginning November 1, 2019:

1. Caroline Harkins; and
2. Peggy Eckroth.

Background

At a Special Meeting of the CalOptima Board of Directors held on September 10, 1996, the Board authorized the creation of the CalOptima IAC, established qualifications for committee members, and directed staff to proceed with the recruitment of the volunteer members of the Committee.

When creating the IAC, the Board stipulated that the Committee would consist of five (5) members; one (1) member would automatically serve by virtue of his or her position as CalOptima's Chief Financial Officer. The remaining four (4) members would be Orange County residents who possess experience in one (1) or more of the following areas: investment banking, investment brokerage and sales, investment management, financial management and planning, commercial banking, or financial accounting.

At the September 5, 2000, meeting, the Board approved expanding the composition of the IAC from five (5) members to seven (7) members in order to have more diverse opinions and backgrounds to advise CalOptima on its investment activities.

Discussion

The candidates recommended for reappointment, Caroline Harkins and Peggy Eckroth, have consistently provided leadership and service to CalOptima's investment strategies through their participation as IAC members.

Caroline Harkins

Caroline Harkins has served as a member of the IAC since June 1998. Ms. Harkins has over 30 years of commercial banking experience in Orange County. She is currently Regional President at Bridge Bank, a division of Western Alliance Bank, where she is responsible for the business lending activities of the

technology, capital finance and corporate banking groups. Prior to joining Bridge Bank, Caroline held leadership roles at Irwin Union Bank, Comerica Bank, Imperial Bank and Bank of the West.

Ms. Harkins also serves on the Board of Directors of a non-public REIT. In the local community, she is a member of the Board of Directors for the Orange County Association for Corporate Growth, and volunteers to teach financial literacy in classrooms. She is also on the executive Board of Directors for Junior Achievement - Orange County. Her current term on the IAC expires on October 31, 2019.

Peggy Eckroth

Peggy Eckroth has served as a member of the IAC since November 1999. Ms. Eckroth retired in 2008 from Autumn Capital Investment Services, a California corporation and Women-Owned Business Enterprise (WBE), as the Executive Vice President and partner. Autumn Capital, an investment consulting firm specialized in the structure and placement of municipal bond proceeds. She has over twenty-five (25) years of financial services experience in marketing, investment services, banking services, real estate and commercial lending, finance and equipment leasing through employment with financial institutions, including First Interstate Bank, Wells Fargo Bank, Litton Industries and AVCO Financial Services.

During her career, she was appointed by the State Treasurer to serve on the State of California Local Agency Investment Advisory Board, served as an Advisory Board Member of the California Association of County Treasurers & Tax Collectors, and was a Founding Member of the Women's Network for National Government Finance Officers Association. Her current term expires on October 31, 2019.

Fiscal Impact

There is no fiscal impact. Individuals appointed to the IAC are responsible for assisting CalOptima in meeting the objectives of CalOptima's annual investment policy, including preservation of capital, meeting the agency's liquidity needs, and obtaining an acceptable return on investment of available funds.

Rationale for Recommendation

The individuals recommended for CalOptima's IAC have extensive experience that meets or exceeds the specified qualifications for membership on the IAC. In addition, the candidates have already provided outstanding service as members of the IAC.

Concurrence

Gary Crockett, Chief Counsel
Board of Directors' Investment Advisory Committee

CalOptima Board Action Agenda Referral
Consider Recommending Board of Directors'
Approval of Reappointments to the Board of Directors'
Investment Advisory Committee
Page 3

Attachment

None

/s/ Michael Schrader
Authorized Signature

9/12/2019
Date

CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken September 19, 2019 **Regular Meeting of the CalOptima Board of Directors'** **Finance and Audit Committee**

Report Item

6. Consider Recommending Board of Directors' Authorization to Issue a Request for Proposal(s) for CalOptima Real Estate Related Services

Contact

Nancy Huang, Interim Chief Financial Officer, (714) 246-8400

Recommended Action

Recommend that the CalOptima Board of Directors authorize the issuance of a Request for Proposal(s) for CalOptima real estate related consultant services.

Background

At the January 6, 2011, Special Meeting of the CalOptima Board of Directors, the Board authorized the purchase of an office building located at 505 City Parkway West, Orange, California (505 Building), and the assumption of development rights associated with the parcel pursuant to a 2004 Development Agreement with the City of Orange. The development rights include the possible construction of an office tower of up to 10 stories and 200,000 square feet of office space, and a parking structure of up to 5 levels and 1,528 spaces (605 Building Site). The initial expiration date for the Development Agreement was October 28, 2014.

At the October 2, 2014, meeting, the Board authorized an amended and restated Development Agreement with the City of Orange to extend the development rights for 6 years, until October 28, 2020. The City of Orange Planning Commission approved the extension on September 15, 2014, and the Orange City Council approved it on November 25, 2014.

At the April 2, 2015, meeting, the Board authorized the identification and negotiation of interim office space leasing options for approximately 40,000 square feet for a term not to exceed five years and at a monthly cost per square foot not to exceed \$2.75. In addition, the Board authorized the expansion of the Telework program from 180 staff to no more than 30% of the total budgeted head count at any given time. These actions were taken to address increasing staffing levels.

At the August 6, 2015, meeting, the Board authorized the execution of a 66 month lease agreement with 333 City Tower located at 333 W City Blvd., Orange, California, valued at \$6,621,867, and authorized a supplemental budget of \$5,464,099 for expenditures on tenant improvements and other space planning options for 41,480 square feet of leased space.

At the March 3, 2016, meeting, the Board authorized the negotiation and execution of a lease agreement with City Plaza located at 1 City Boulevard West, for 66 months and up to 20,000 square feet of office space at a price per square foot not to exceed \$2.55 per month. The Board authorized a supplemental budget of up to \$2.8 million for expenditures for associated furnishings.

At the August 4, 2016, and December 1, 2016, meeting, the Board authorized a contract with real estate consultant, Newport Real Estate Services, Inc., to provide market research, evaluate development and financial feasibility, make recommendations for Board consideration on the development rights, and develop a site plan.

At the March 2, 2017, meeting, the Board authorized the issuance of a request for information to solicit responses on potential interest and options for CalOptima’s development rights.

At the December 7, 2017, meeting, the Board received the results from the Property and Associated Development Rights RFI dated April 21, 2017, authorized exploring the extension of the existing development rights for as long as possible, broadening the development rights from commercial/office to include urban mixed use (including transitional housing). Upon confirming the City of Orange is amenable to the proposed changes, the Board authorized an RFI process on development options that assume no use of Medi-Cal dollars and includes a parking structure and instructed Management to seek assistance from the County of Orange Real Estate Department, as appropriate.

Staff conducted exploring additional leased space, pursuant to Board direction. However, after additional review of short-term capacity in the 505 Building, the departure of former 505 Building tenants, and the delay in implementation of new programs, management determined that space was not needed in the short term due to current building inventory.

Separate from the 505 Building, on February 3, 2011, the Board authorized the CEO to enter into a lease agreement for the CalOptima Program of All-Inclusive Care (PACE) building located at 13300 Garden Grove Boulevard in Garden Grove. The term of the lease for the PACE building is for a period of 10 years, which will expire in 2021.

Discussion

505 Building Capacity

The following provides a summary of the space capacity at the 505 Building. Staff anticipates that after the completion of the 10th floor improvements projected for December 1, 2019, the 505 Building will have a surplus of just 3 open cubes or offices by the end of June 2020.

	Total Cubes/Offices
505 Building Space Capacity	1,042
10 th Floor (available for occupancy on December 1, 2019)	85
Total 505 Building Capacity	1,127
Occupied Space (as of August 20, 2019)	
Head count	860
Temporary Employees	49
Consultants	13
Subtotal	922

Budgeted head count in the Fiscal Year (FY) 2019-20 Operating Budget (includes current vacant positions, new approved positions, and staffing related to new programs)	202
Projected 505 Building Head Count by June 30, 2020	1,124
Total Shortfall/Surplus	+3

*The total head count does not include budgeted PACE employees, Teleworkers or Community Workers.

Considering the 10th floor improvements and the FY 2019-20 budgeted head count, the 505 Building will likely reach full occupancy within the next 12-month period. At that time CalOptima will have no additional space to accommodate future growth.

Parking Supply

The following provides a summary of on-site parking spaces. The existing on-site parking for the 505 Building is 738 spaces.

The following table provides an overview of available parking spaces by type.

Type	Total
Regular	691
Visitor	15
Reserved	17
Handicap	15
Total*	738

* Total includes 65 overflow parking spaces from the 500/600 Building shared lot.

In addition, CalOptima has a reciprocal parking easement with neighboring properties located at 500 and 600 City Parkway West, which provides access to the non-exclusive use of 725 additional parking spaces.

	Total
Projected 505 Building Head Count by June 30, 2019	1,124
Total Regular On-Site Parking Capacity	691
Total Shortfall/Surplus On-Site (not factoring in reciprocal parking easement)	-433

*The total head count does not include budgeted PACE employees, Teleworkers or Community Workers.

Based on the head count of 922 individuals occupying current space in the 505 Building as of August 20, 2019, the number of regular on-site parking spaces available, depending on the time and day of the week, at the 505 Building, may be a shortfall of as many as 231 regular on-site spaces. Staff projects that once budgeted FTE's in the FY 2019-20 Operating Budget are filled, the shortfall may increase to 433 as many as regular on-site spaces by the end of June 2020. Because the reciprocal parking easement provides for non-exclusive use of the neighboring parking lots, tenants of the neighboring properties will be competing with CalOptima employees and visitors for parking spaces in the reciprocal parking easement area. Furthermore, the neighboring property owner is planning to build a housing

development and parking structure in the reciprocal parking easement area, which may limit availability of parking spaces during construction.

PACE

In addition to real estate related activities at the 505 Building, staff is also focused on the PACE site and addressing the current lease term which ends in 2021.

Recommendation

In light of the anticipated office space issues and parking needs at the 505 Building, Management recommends that the Board authorize the issuance of an RFP for CalOptima real estate related consulting services. Obtaining the expertise of a real estate consultant(s) to help gather data and evaluate the options below, along with development of a strategic real estate plan will provide decision support to the Board. Specifically, the RFP(s) would include the following scope(s) of work items:

- Review the North Orange County commercial real estate market to determine the availability of space for lease;
- Review the North Orange County commercial real estate market to determine the availability of buildings to be purchased;
- Provide a financial analysis comparing lease options to purchase options;
- Create a parking map of available local parking for rent;
- Develop different options for a strategic real estate plan to meet CalOptima's needs
- Continue negotiations with the City of Orange to extend and potentially modify the Development Agreement to best meet the needs of CalOptima, possibly in two steps (e.g., extend existing agreement first, then work to broaden the scope of the Development Agreement as a possible second step); and
- Represent CalOptima in negotiations and exploration of real estate options for the PACE program (including but not limited to reviewing the possibility of extending the lease at the current PACE site and examining the local commercial real estate market to ascertain the proper renewal rate for the PACE lease renewal at fair market value).

Management plans to return to the Board to request funding authorization for the selected vendor and anticipates presenting a report to the Finance and Audit Committee at the November 21, 2019, meeting and to the full Board at its December 5, 2019 meeting.

Fiscal Impact

The recommended action to authorize the issuance of an RFP for CalOptima real estate related services does not have a fiscal impact. Management will return to the Board to request authorization for funding upon completion and recommendation of a vendor identified through the RFP process.

Rationale for Recommendation

Management anticipates that CalOptima's space needs will continue to grow in the short-term. In order to ensure such growth is adequately met in the future, and to assist the Board in determining next steps with the existing Development Agreement with the City of Orange, and the PACE program, Management recommends engaging a real estate consultant(s).

Concurrence

Gary Crockett, Chief Counsel

Attachment

1. Board Action dated January 6, 2011, Authorize the Chief Executive Officer, with the assistance of Legal Counsel, to enter into a purchase and sale agreement, and to execute all documentation necessary to complete the transaction
2. Minutes of Board meeting dated February 3, 2011, Authorize the Chief Executive Officer, with the assistance of Legal Counsel, to enter into a lease agreement consistent with the terms of the Letter of Intent located at 13300 Garden Grove Blvd., Garden Grove, California
3. Board Action dated October 2, 2014, Consider Authorizing Extension of CalOptima Headquarters Building Site Development Agreement with the City of Orange
4. Board Action dated April 2, 2015, Consider Interim Office Space Leasing Options and Adjustment to Current Limitation on Telework Participation to Reflect Increasing Staffing Levels
5. Board Action dated August 6, 2015, Consider Authorizing Execution of Lease Agreement for Office Space, Expenditures on Tenant Improvements and Other Space Planning Options
6. Board Action dated March 3, 2016, Authorize Staff to Negotiate a Lease Agreement for Office Space, Expend Funds on Furnishings and Evaluate and Pursue Other Space Planning Options
7. Board Action dated August 4, 2016, Consider Authorizing Contract with a Real Estate Consultant to Assist in the Evaluation of Options Related to CalOptima's Development Rights and Approve Budget Allocation
8. Board Action dated December 1, 2016, Authorize Vendor Contract(s) and/or Contract Amendment(s) for Services Related to CalOptima's Development Rights at the 505 City Parkway Site and Funding to Develop a Site Plan
9. Board Action dated March 2, 2017, Consider Options for Development Rights at 505 City Parkway West, Orange, California Site
10. Board Action dated December 7, 2017, Consider Actions Related to CalOptima's Development Agreement with the City of Orange

/s/ Michael Schrader
Authorized Signature

9/12/2019
Date



CalOptima
Better. Together.

Real Estate

Special Board of Directors Meeting
January 6, 2011

Kim Cunningham, Chief Administrative Officer
Michael Engelhard, Chief Financial Officer

Background

- Developed a real estate strategy over past 18 months due to approaching lease expirations in current building
- Contracted with Jones Lang LaSalle brokerage firm to assist in evaluation of real estate options – lease vs. buy
- Established certain criteria for any real estate action including:
 - economic feasibility,
 - future space needs, and
 - location
- Considered a number of lease and purchase options
- Worked closely with the Board of Directors to fully vet options

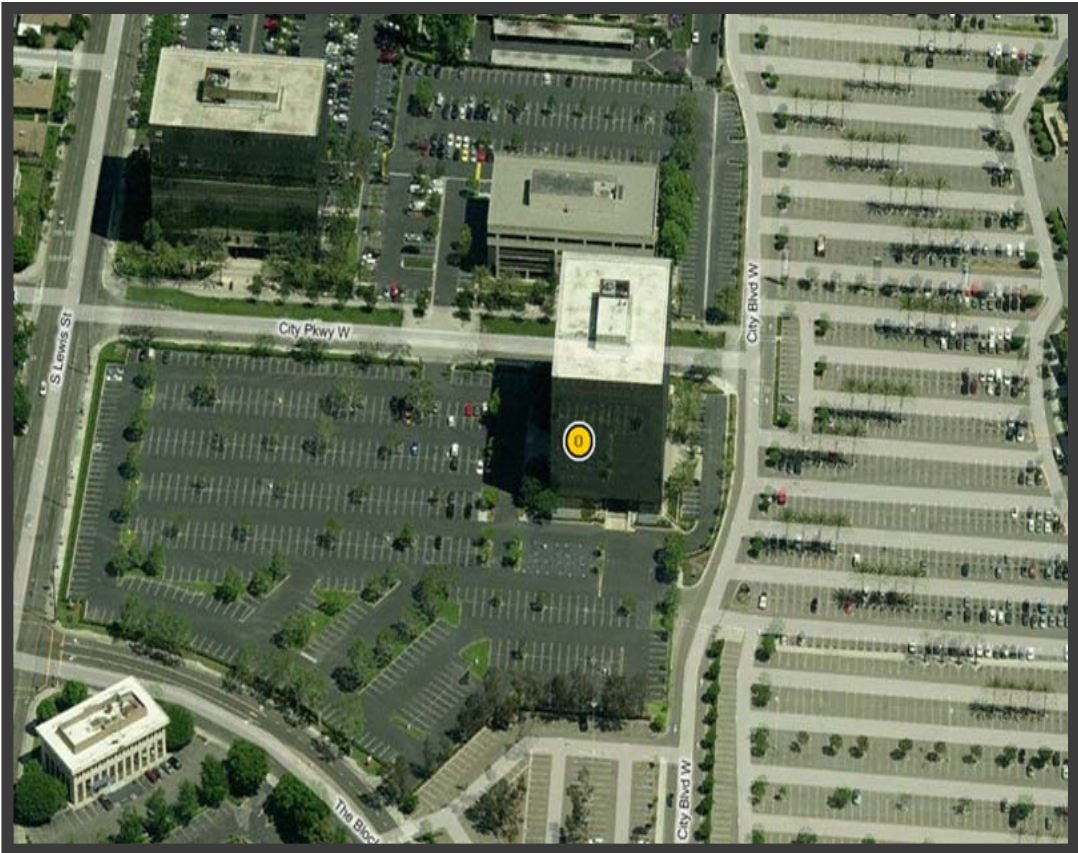
Background (Continued)

- Decline in the Orange County commercial real estate market created opportunities to economically purchase or lease office space
- Major concerns about current location:
 - Out of space today (without telework implementation, we would have had to lease more space elsewhere)
 - Current location cannot accommodate anticipated future growth up to 125,000-130,000 rentable square footage (RSF) by 2014
 - Parking is constrained; need to seek opportunities to improve
 - Space for community and Board meetings is limited
- Considered a number of properties before identifying the building at 505 City Parkway West in Orange as a match for our needs

505 City Parkway West Building Specifics

- 203,000 RSF
- 10-story building
- Built in 1976
- 55,000 square feet currently leased by three tenants
- Remaining square footage provides more than adequate room for future CalOptima expansion needs
- Located in Orange next to The Block shopping center
- Excellent location for members – 1 mile from current location and good access to public transit

505 City Parkway West



505 City Parkway: Financial Summary

- Purchase Price = \$30,200,000 (all cash)
- Price = \$149 per RSF
- Tenant Improvement and Capital Expenditure Costs = \$10,600,000 (estimate)
- Key Economics:
 - Cumulative Cash Flow Benefit = \$1,500,000 over the next 20 years (excludes impact of residual building value)
 - Positive Net Present Value (NPV) of purchase vs. leasing at existing location

505 City Parkway: Financial Considerations

- Right time to buy: office building prices have dropped considerably in past 2-3 years
- Effective use of Tangible Net Equity (TNE) requirement
 - CalOptima needs to hold a minimum of \$40,000,000
 - Can put this to better use than keeping in “cash” especially at current low investment returns
 - CalOptima has never spent cash balances down to this level so provider payments should not be impacted
- Building is a “Convertible” Asset
 - This asset can be easily monetized through bank loan if needed
- Asset appreciation over long-term: real estate is a good hedge against inflation

Next Steps

- Board action today to approve the purchase
- Engage consultants and contractors to prepare budgets for building occupancy and to complete capital improvements
- Bring final building operating budget to Board for approval within next 60 days (e.g., property management expenses, insurance, and utilities)
- Bring final tenant improvement budget to Board within next 90 days (e.g., capital improvements and office build out)

Recommendation

Authorize the Chief Executive Officer, with the assistance of legal counsel, to enter into a purchase and sale agreement, and to execute all documentation necessary to complete the transaction.

MINUTES

REGULAR MEETING OF THE CALOPTIMA BOARD OF DIRECTORS

February 3, 2011

A Regular Meeting of the CalOptima Board of Directors was held on February 3, 2011, at CalOptima, 1120 W. La Veta Avenue, Suite 200, Orange, California.

CALL TO ORDER

Chair Michael Stephens called the meeting to order at 3:03 p.m.

ROLL CALL

Members Present: Michael D. Stephens, Chair; Edward Kacic, Vice Chair; Mary Anne Foo, Jim McAleer, Margarita Pereyda, M.D., Supervisor John M. W. Moorlach, David L. Riley

Members Absent: Chung The Bui, M.D.

Others Present: Richard Chambers, Chief Executive Officer; Gregory Buchert, M.D., Chief Operating Officer; Gertrude S. Carter, M.D., Chief Medical Officer; Michael Engelhard, Chief Financial Officer; Gary Crockett, Chief Counsel; Kim Cunningham, Chief Administrative Officer; Suzanne Turf, Clerk of the Board

Presentation to Supervisor John Moorlach

On behalf of the Board of Directors, Chair Stephens honored Supervisor Moorlach for his four years of service on the Board of Directors and for his commitment to the CalOptima program. Supervisor Moorlach will continue to serve on the Board of Directors as an Alternate member.

MINUTES

Approve the Minutes of the January 6, 2011 Special Meeting and the January 6, 2011 Regular Meeting of the CalOptima Board of Directors; Receive and File the Minutes of the September 9, 2010 and November 11, 2010 Regular Meetings of the CalOptima Board of Directors' Provider Advisory Committee, and the September 9, 2010 Minutes of the Regular Meeting of the CalOptima Board of Directors' Member Advisory Committee

Action: On motion of Vice Chair Kacic, seconded and carried, the Board of Directors approved the minutes of the January 6, 2011 Special Meeting and the January 6, 2011 Regular Meeting of the Board of Directors as presented; the minutes of the Provider and Member Advisory Committees were received and filed. (Motion carried 7-0; Director Bui absent)

PUBLIC COMMENT

Paul Yost, M.D. – Oral Re: Recognition of Supervisor Moorlach for his service on the Board of Directors.

Peter Anderson, M.D., Janice Glaab, and Paul Yost, M.D. – Oral Re: VI. B, Approve Refinements to the Methodology for Distribution of Supplemental Provider Payments as Part of the Revised CalOptima Medi-Cal FY 2010-11 Operating Budget.

Reed Royalty and Julie Puentes – Oral Re: VI. C, Revision to CalOptima Board of Directors January 6, 2011 Report Item VI.B., to Clarify the Scope of Research and Business Planning Services CalOptima Seeks to Prepare for the Implementation of the 2010 Patient Protection and Affordable Care Act.

CONSENT CALENDAR

- A. Authorize the Chief Executive Officer to Negotiate and Execute an Amendment to the Aging and Disability Resource Center Grant Agreement Administered by the California Health and Human Services Agency**
- B. Approve the FY 2010-11 Operating Budget for the Real Property Located at 505 City Parkway West, Orange, California**

Action: On motion of Supervisor Moorlach, seconded and carried, the Consent Calendar was approved as presented. (Motion carried 7-0; Director Bui absent)

REPORTS

Authorize the Chief Executive Officer to Issue a Request for Proposal for Pharmacy Benefits Manager Services

Chief Medical Officer Gertrude Carter, M.D. presented the recommended action to authorize the Chief Executive Officer to issue a Request for Proposal (RFP) for Pharmacy Benefits Manager (PBM) services.

The current PBM contract for CalOptima's pharmacy program has been in place since January 1, 2007 and will expire on December 31, 2011. Services provided under the current PBM contract include pharmacy claims administration, prior authorization of off-formulary prescriptions, contracting with pharmacies, and management reporting services. The objectives of the PBM RFP process are to ensure member access to medically necessary pharmaceutical care, and to procure PBM services that meet Federal and State contractual and regulatory requirements.

Dr. Carter stated that the RFP will be generated with the assistance of a consultant. The estimated cost of consultant services is \$40,000, which is included in the FY 2010-11 Budget. Staff will provide periodic updates to the Board regarding the progress.

Action: *On motion of Director Pereyda, seconded and carried, the Board of Directors authorized the CEO to issue an RFP for PBM services as presented. (Motion carried 7-0; Director Bui absent)*

Approve Refinements to the Methodology for Distribution of Supplemental Provider Payments as Part of the Revised CalOptima Medi-Cal FY 2010-11 Operating Budget

Gregory Buchert, M.D., Chief Operating Officer, presented the following recommended actions: approve modification of January 6, 2010 Board Agenda Item VI.B, to align provider distributions and projected incremental Medi-Cal revenue; and, approve refinements to the distribution methodology for additional funds included in CalOptima's FY2010-11 Medi-Cal rates.

Dr. Buchert stated that the Board approved the revised FY 2010-11 Medi-Cal Operating Budget on January 6, 2011, which included an estimated \$20.9 million targeted for provider payment adjustments. Since the January meeting, staff has analyzed additional data that indicates the financial projection is approximately \$2 million less favorable than previously forecast. Based on this analysis, \$18.9 million has been identified for provider payment adjustments. Input regarding the distribution of new revenue was solicited from the Member and Provider Advisory Committees, the health networks, the Orange County Medical Association and the Hospital Association of Southern California.

Dr. Buchert provided an overview of the proposed distribution of funds as follows: health network capitation increase, \$10.1 million; quality, access, and efficiency initiatives, \$4.3 million; State MAC pricing implementation reserve, \$1.5 million; investments in clinics, \$500,000; and, hospital rate freeze reserve, \$2.5 million. It was noted that the proposed refinements to the amount and the methodology for distribution of additional Medi-Cal revenue are in line with the reforecasted budget approved by the Board on January 6, 2011.

After discussion of the matter, the Board delayed action on the distribution of \$10.1 million for health network capitation increases and \$4.3 million in quality, access and efficiency initiatives for 30 days pending additional review by staff and an ad hoc of the Board.

Action: *On motion of Director McAleer, seconded and carried, the Board of Directors approved the modification of the January 6, 2011 Board Agenda Item VI. B., from \$20.9 million to \$18.9 million to align provider distributions and projected incremental Medi-Cal revenue; and approved the methodology for the distribution of \$4.5 million in additional funds included in CalOptima's FY2010-11 Medi-Cal rates as presented: State MAC Pricing Implementation Reserve, \$1.5 million; investments in clinics, \$500,000; and, hospital rate freeze reserve, \$2.5 million. (Motion carried 7-0; Director Bui, absent)*

Revision to CalOptima Board of Directors January 6, 2011 Report Item VI.B., to Clarify the Scope of Research and Business Planning Services CalOptima Seeks to Prepare for the Implementation of the 2010 Patient Protection and Affordable Care Act (ACA)

Dr. Buchert presented the following recommended actions: approve the revision to CalOptima Board of Directors January 6, 2011, Report Item VI.B., to clarify the scope of the research and business planning services CalOptima seeks to prepare for the implementation of ACA; and, approve the decision that CalOptima refrain from taking any actions to participate in California's Health Insurance Exchange created pursuant to AB 1602 and authorized in the ACA.

Dr. Buchert reported that the action approved by the Board on January 6, 2011 authorized the Chief Executive Officer to release a Request for Proposal (RFP) to select and contract with one or more consulting firms to study the impact of ACA on CalOptima in two key areas: 2014 Medi-Cal expansion and the Health Insurance Exchange. Dr. Buchert stated that CalOptima anticipates substantial growth in the Medi-Cal program by 2014, and staff will need to focus on developing a strong business plan for this expansion. It was recommended that the RFP be limited to research and analysis pertaining to the 2014 Medi-Cal expansion activities. It was also recommended that CalOptima refrain from examining, researching, or pursuing its participation in California's Health Insurance Exchange.

After discussion of the matter, the Board took the following action.

Action: On motion of Supervisor Moorlach, seconded and carried, the Board of Directors clarified January 6, 2011 Board Agenda Item VI. B. to limit the Health Care Reform Business and Strategic Planning RFP the scope of work to the ACA Medi-Cal Expansion and not participation in the Health Insurance Exchange; and, CalOptima would refrain from taking any actions to participate in California's Health Insurance Exchange created pursuant to AB 1602 and authorized in the ACA. (Motion carried 5-1, Vice Chair Kacic voting no; Directors Bui and McAleer absent)

Director Riley reported that the Board of Supervisors recently authorized the Orange County Health Care Agency to apply for a Waiver with the State of California under Section 1115 of the Social Security Act. Mr. Riley commented on the transition of the MSI population as it relates to health care reform in 2014, and proposed that CalOptima and county staff work together to evaluate how this transition can be accomplished on an accelerated timeframe; additional information and a proposal on an early transition to be presented to the CalOptima Board of Directors for consideration.

CEO AND MANAGEMENT REPORTS

Dr. Buchert provided a brief update on the goals and accomplishments of the Managed System of Care (MSC) initiative. MSC is composed of representatives of profit and not-for-profit hospital systems, community clinics, practicing physicians, the Health Funders' Partnership, the Orange County Health Care Agency and CalOptima with the goal of addressing the financing and delivery of care for the uninsured in Orange County in preparation for 2014. Dr. Buchert

reported that CalOptima has played a major role in accomplishing MSC goals in the following areas: medical home and coordinated care, specialty care, behavioral health services, urgent care, acute and tertiary hospital care, pharmacy services, and health information technology. As co-chair of the MSC, Vice Chair Kacic congratulated CalOptima staff for the progress that has been made with this effort.

INFORMATION ITEMS

Federal and State Update

Margaret Tatar, Public Affairs Director, presented an overview of the Governor's January Budget Proposal released on January 10, 2011. The proposed budget projects a \$25.4 billion deficit over the next 18 months, and proposes closing that deficit with \$26.4 billion in spending cuts, taxes, and other budget solutions. The proposed budget includes an overall 3.9% increase to Medi-Cal managed care plans, elimination of the Multipurpose Senior Services Program and Adult Day Health Care, and includes an extension of the hospital fee program through June 30, 2011.

Ms. Tatar reported that the proposed budget includes a restructuring process that shifts funding and responsibility for certain services between the state and local governments over the next five years, including a proposed five-year tax extension measure on the June special election ballot. The Governor assumes that the Legislature will approve the solutions in the proposed budget by March 1, 2011. Staff will continue to keep the Board informed of the progress.

Presentation by Lobbyists

This item was deferred to a future Board meeting.

Update on Behavioral Health Integration

The Behavioral Health Integration Update was continued to the March 3, 2011 Board of Directors Meeting.

CalOptima Care Network Update, Healthy Families Program Update, and CalOptima Regional Extension Center Update

The updates on the CalOptima Care Network, Healthy Families Program, and the CalOptima Regional Extension Center were accepted as presented.

December 2010 Unaudited Financial Statements

Mr. Engelhard presented a brief overview of the unaudited financial statements for the period ended December 31, 2010. The year-to-date change in net assets for all CalOptima lines of business was reported at \$(6.3) million, \$4.5 million unfavorable to budget. Enrollment for the month of December totaled 421,517, an increase of 5.2% compared to December 2009

PACE Update

Peerapong Tantameng, PACE Manager, presented a brief review of the overall integration program strategy that includes a fully developed multi-site PACE system for Orange County with services that are accessible to all county residents and partners with existing community and long-term care providers. Part 2 of the PACE application will be filed with the DHCS in

May, and a community advisory committee will be convened. It is anticipated that the CalOptima PACE center will open in April 2012.

Mr. Engelhard provided an overview of the PACE financial projections. Capital investments of \$6.2 million include tenant improvements and equipment; operational breakeven is anticipated in the seventeenth month of operation; and, operational breakeven net income census is 114. Investment returns are favorable over a ten-year period, and a ten-year return on investment is projected at approximately 16.2%, which is consistent with the average financial performance other PACE organizations.

BOARD MEMBER COMMENTS

Vice Chair Kacic commented on the arguments presented and the action taken regarding CalOptima's participation in the California Health Insurance Exchange (agenda item VI. C.), and stated that he voted against the recommended action because a decision of this magnitude should not be made without conducting research and obtaining data to support such a decision.

Supervisor Moorlach extended congratulations to Kerri Ruppert Schiller, Chief Financial Officer (CFO) of Children's Hospital of Orange County for her recognition by the *Orange County Business Journal* as CFO of the Year. Mr. Moorlach also commented in support of the Health Care Agency and CalOptima working together on the transition of the MSI population and offered his support to this effort.

ADJOURN TO CLOSED SESSION

The Board of Directors adjourned to closed session at 5:10 p.m. pursuant to: (1) Government Code § 54956.8, Conference with Real Property Negotiator: Property: 13300 Garden Grove Blvd., Garden Grove, CA 92843; Agency Negotiator: Grant Freeman, Ronda Clark, and Joe Bevan, Jones Lang LaSalle; Negotiating Parties: CalOptima and Mr. Young S. Kim and Ms. Soon Y. Kim; and, (2) Government Code § 54957, Public Employee Performance Evaluation [Chief Executive Officer].

The Board reconvened in open session at 5:33 p.m. to address the following Reports.

Consider Approval of the Terms of Agreement Concluding Real Estate Negotiations

Chair Stephens reported that the CalOptima Board of Directors met in closed session with its negotiators regarding the price and terms of payment for the lease of the real property listed on the agenda and located at 13300 Garden Grove Blvd., Garden Grove, CA 92843.

After discussion of the matter, the Board took the following action:

Action: On motion of Vice Chair Kacic, seconded and carried, the Board of Directors authorized the Chief Executive Officer, with the assistance of legal counsel, to enter into a lease agreement consistent with the terms of the Letter of Intent, and to execute all documentation necessary to complete the lease transaction. (Motion carried 5-0; Directors Bui, McAleer and Pereyda absent)

Minutes of the Regular Meeting of the
CalOptima Board of Directors
February 3, 2011
Page 7

Consider Chief Executive Officer Employment Agreement and Incentive Compensation

This item was continued to the March 3, 2011 Board of Directors meeting.

ADJOURNMENT

Hearing no further business, Chair Stephens adjourned the meeting at 5:40 p.m.

/s/ Suzanne Turf

Suzanne Turf
Clerk of the Board

Approved: March 3, 2011

CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken October 2, 2014 **Regular Meeting of the CalOptima Board of Directors**

Report Item

VII. F. Consider Authorizing Extension of CalOptima Headquarters Building Site Development Agreement with the City of Orange

Contact

Michael Ruane, Chief of Strategy and Public Affairs, (714) 246-8400

Recommended Action

Authorize the Chief Executive Officer (CEO), with the assistance of legal counsel, to enter into an Amended and Restated Development Agreement with the City of Orange, contingent upon approval by the Orange City Council, extending CalOptima's development rights for up to six years.

Background

In January of 2011, CalOptima purchased land and an office building located at 505 City Parkway West, Orange, California. In conjunction with the purchase, CalOptima obtained development rights related to a 2004 Development Agreement with the City of Orange, covering the parcel owned by CalOptima. These development rights include the possible construction of an office tower up to ten-stories and 200,000 square feet of office uses and a maximum five-level, 1528 space parking structure. Per the Development Agreement, both the second office tower and the parking structure are classified under the 605 Building Site. The current ten (10) year Development Agreement is set to expire on October 28, 2014.

Discussion

As part of CalOptima's long-term staffing and space plan, there is a potential need for additional office space beyond what is available within the currently-existing current building. Specifically, the plan includes protecting CalOptima's current development rights on the 505 Building Site, and preserving CalOptima's ability to build additional office space and parking if deemed necessary by the Board.

This item was conceptually approved by your Board of Directors at the September 4, 2014 meeting as part of the Capital Improvement Budget discussion, and the specific direction from the Board to pursue an extension of the Development Agreement and return to the Board for final approval.

Due to the pending expiration of the current Development Agreement, staff worked with CalOptima's consultant and staff at the City of Orange to draft the Amended and Restated Development Agreement (2014 DA), which grants CalOptima up to a six (6) year extension on the current terms.

Along with the extension, the 2014 DA requires that additional Public Benefit Fees be paid by CalOptima to the City of Orange. The total cost of these fees is up to \$200,000. However, the fees are broken down into three installments as follows:

1. \$50,000 upon the execution of the 2014 DA;
2. \$50,000 prior to the second anniversary of the effective date of the 2014 DA;
3. \$100,000 prior to the fourth anniversary of the effective date of the 2014 DA.

This payment structure allows development flexibility to CalOptima to further determine its office space needs.

This extension was approved by the City of Orange Planning Commission on September 15, 2014, and is scheduled to be considered at the October 14, 2014 meeting of the Orange City Council.

Fiscal Impact

The cost of the extension to the current Development Agreement will not exceed \$200,000 over a six-year period, contingent upon the payment schedule. Costs will be funded via existing reserves, and allocated according to the timeline enumerated above.

Rationale for Recommendation

The extension to the current Development Agreement preserves CalOptima's existing development rights and provides flexibility for future growth at the 605 Building Site. Approval of this item will ensure CalOptima has the flexibility to make needed facility improvements under current land use standards and regulations, which allows for greater certainty in terms of project schedules and budget requirements.

Concurrence

Gary Crockett, Chief Counsel

Attachments

2014 Amended and Restated Development Agreement

/s/ Michael Schrader
Authorized Signature

9/26/2014
Date

EXEMPT FROM RECORDER'S FEES
Pursuant to Government Code §§ 6103 and 27383

Recording requested by and when recorded return to:

City Clerk
City of Orange
300 East Chapman Avenue
Orange, California 92866

(SPACE ABOVE FOR RECORDER'S USE)

AMENDED AND RESTATED DEVELOPMENT AGREEMENT

This Amended and Restated Development Agreement (the "**Agreement**") is made in Orange County, California as of _____, 2014, by and between the CITY OF ORANGE, a municipal corporation (the "**City**") and ORANGE COUNTY HEALTH AUTHORITY, a public agency doing business as CalOptima ("**Developer**"). Together, the City and the Developer shall be referred to as the "**Parties**".

1. **Recitals.** This Agreement is made with respect to the following facts and for the following purposes, each of which is acknowledged as true and correct by the Parties:

(a) The City is authorized, pursuant to Government Code §§65864 through 65869.5 (the "**Development Agreement Statutes**") and Chapter 17.44 (Development Agreements) of the Orange Municipal Code to enter into binding agreements with persons or entities having legal or equitable interests in real property for the development of such property in order to establish certainty in the development process.

(b) Developer is the owner of certain real property located in the City and consisting of the parcel commonly referred to the "**605 Building Site**" (legally described on **Exhibit "A"**).

(c) References in this Agreement to the "**Project**" shall mean the 605 Building Site hereinabove described and the development project proposed for such property.

(d) Developer seeks to enhance the vitality of the City by developing additional office and commercial related uses.

(e) Pursuant to Government Code §65867.5 and Orange Municipal Code Section 17.44.100, the City Council finds that: (i) this Agreement and any Future Approvals of the Project implement the goals and policies of the City's General Plan, provide balanced and diversified land uses and impose appropriate standards and requirements with respect to land development and usage in order to maintain the overall quality of life and the environment within the City; (ii) this Agreement is in the best interests of and not in detriment to the public health, safety and general welfare of the residents of the City and the surrounding region;

(iii) this Agreement is compatible with the uses authorized in the zoning district and planning area in which the Project site is located; (iv) adopting this Agreement is consistent with the City's General Plan and constitutes a present exercise of the City's police power; and (v) this Agreement is being entered into pursuant to and in compliance with the requirements of Government Code §65867.

(f) Substantial public benefits (as required by Section 17.44.200 of the Orange Municipal Code) will be provided by Developer and the Project to the entire community. These substantial public benefits include, but are not limited to, the following:

(1) By and through its existence, the Project is and, at the completion of the Project, will continue to be, an enormous benefit and resource to the community;

(2) The Project will provide an expanded economic base for the City by generating substantial property tax revenue;

(3) The Project will provide temporary construction employment and permanent office-based jobs for a substantial number of workers;

(4) The Project, consisting of the 605 Building Site, will contribute traffic impact mitigation fees to the City pursuant to the West Orange Circulation Study ("**WOCS Study**"), which will partially fund the completion of traffic and circulation infrastructure in the WOCS Study area that will be needed to accommodate demand from future growth; and

(5) The Project will provide for additional sales/use taxes to the City, as provided in Section 7 hereof.

In exchange for these substantial public benefits, City intends to give Developer assurance that Developer can proceed with the development of the Project for the term and pursuant to the terms and the conditions of this Agreement and in accordance with the Applicable Rules (as hereinafter defined).

(g) The Developer has applied for and the City has approved this Agreement in order to create a beneficial project and a physical environment that will conform to and compliment the goals of the City, create a development project sensitive to human needs and values, facilitate efficient traffic circulation, and develop the Project.

(h) This Agreement will bind the City to the terms and obligations specified in this Agreement and will limit, to the degree specified in this Agreement and under the laws of the State of California, the future exercise of the City's ability to delay, postpone, preclude or regulate development on the Project, except as provided for herein.

(i) In accordance with the Development Agreement Statutes, this Agreement eliminates uncertainty in the planning process and provides for the orderly improvement of the Project. Further, this Agreement provides for appropriate further development of the Project over and above the improvements which currently exist on the Project and generally serves the public interest within the City and the surrounding region.

(j) CA-THE CITY LIMITED PARTNERSHIP (the “**Original Developer**”) first filed land use applications in 2001 to entitle four (4) separate development sites which together were to consist of one million one hundred fifty-seven thousand (1,157,000) square feet of office space and a one hundred thirty-seven (137) room hotel (collectively, the “**EOP Projects**”). Those land use applications included applications for a Conditional Use Permit(s) and Major Site Plan Review(s). In addition, the Original Developer filed for negotiations and approval of that certain Development Agreement, dated as of December 13, 2004, by and between the City of Orange and the Original Developer (the “**Original Development Agreement**”). The City processed the various applications and commissioned the preparation of the Final Environmental Impact Report (FEIR) 1612-01 for the Original Development Agreement and the 2001 land use applications (the “**Final EIR**”), which was certified in accordance with the California Environmental Quality Act (“**CEQA**”). On October 9, 2001, the City certified the Final EIR and approved the various applications for the entitlements for the EOP Projects including Resolution No. 9521 with respect to the 605 Building Site.

(1) The Final EIR evaluated the EOP Projects, all of which were located in the area within or adjacent to the former “**The Block at Orange**” which has been rebranded to “**The Outlets at Orange**.” A trip generation survey was conducted and the Final EIR determined that the EOP Projects, upon completion, would generate a total of thirteen thousand eight hundred seventy-six (13,876) average daily trips. The Final EIR designated separate average daily trip generation estimates for each of the EOP Projects based upon the estimated development square footage of each of the EOP Projects.

(2) As part of its approval of the EOP Projects, the City imposed various traffic mitigation conditions, including:

(A) a "fair share" allocation of the cost of certain traffic improvements identified in the WOCS Study (the “**WOCS Improvements**”);

(B) the obligation to pay one hundred percent (100%) of the cost of specific traffic improvements at three (3) designated intersections; and

(C) a "fair share" of the cost of widening the Orangewood Avenue bridge over the Santa Ana River.

The traffic improvements described in (B) and (C) are herein referred as the “**Traffic Improvement Conditions**”.

(3) The WOCS Study estimated the cost of the WOCS Improvements to be approximately Three Million Five Hundred Thousand Dollars (\$3,500,000.00) and assigned "fair share" costs for such improvements to the following projects:

(A) UCI Medical Center Expansion – thirty-two percent (32%);

(B) EOP Projects – thirty-eight percent (38%); and

(C) The Outlets at Orange Expansion – thirty percent (30%).

(4) On March 9, 2004, the City adopted Resolution No. 9843 in which the City determined that the "fair share" of the EOP Projects for the WOCS Improvements and the Traffic Improvement Conditions would be as set forth in Exhibit "A" to Resolution No. 9843. A copy of Resolution No. 9843 is attached hereto as **Exhibit "B"**.

(k) In 2004, in response to the Original Developer's application for the Original Development Agreement, the City felt that it would be helpful to provide the public with information updating and amplifying some of the points raised in the Final EIR as they pertain to the EOP Projects. Accordingly, and as provided in Section 15164 of the State California Environmental Quality Act Guidelines (the "**CEQA Guidelines**"), the City prepared an Addendum to the Final EIR (the "**Addendum**"). On August 16, 2004, the Planning Commission held a duly noticed public hearing on the Original Developer's application for the Original Development Agreement and the Addendum, which were approved by Resolution No. PC 33-04 and recommended to the City Council of the City approval. On September 14, 2004, the City Council held a duly noticed public hearing on the Original Developer's application for the Original Development Agreement and the Addendum, and adopted Resolution No. 9909, making certain findings under CEQA and determined that the Addendum is all that is necessary in connection with the Original Development Agreement and the approval thereof. Thereafter, at its regular meeting of September 14, 2004, the City Council adopted its Ordinance No. 19-04 approving the Original Development Agreement.

(l) In January 2006, the City and the Original Developer amended the Original Development Agreement by entering into that certain First Amendment to Development Agreement dated as of January 20, 2006, the original of which was recorded in the Official Records as Instrument No. 2006000051175 on January 24, 2006 (herein referred as the "**First Amendment**").

(m) In October 2006, the City and the Original Developer further amended the Original Development Agreement by entering into that certain Second Amendment to Development Agreement dated as of October 5, 2006, the original of which was recorded in the Official Records as Instrument No. 2006000698031 on October 17, 2006 (herein referred as the "**Second Amendment**").

(n) In January 2007, the City and the Original Developer entered into that certain Operating Memorandum dated as of January 22, 2007 (hereinafter referred as "**First Operating Memorandum**") as it relates to the amendment to certain covenants, conditions and restrictions governing the expansion of the Block at Orange (the "**Block Expansion**").

(o) In 2007, the Original Developer and Maguire Properties-City Plaza, LLC and Maguire Properties-City Parkway, LLC entered into that certain Assignment and Assumption Agreement dated April 23, 2007, the original of which was recorded in the Official Records as Instrument No. 2007000271600 on April 26, 2007 (herein referred as the "**Maguire Agreement**"). The terms of the Maguire Agreement transferred and assigned the development rights related to City Plaza Two Site and 605 Building Site (as defined in the Original Development Agreement) from the Original Developer to Maguire Properties-City Plaza, LLC and Maguire-City Parkway, LLC, respectively.

(p) In August 2008, Maguire Properties-City Plaza, LLC and HFOP City Plaza, LLC (“**HFOP**”) entered into that certain Partial Assignment and Assumption of Development Agreement dated August 26, 2008, the original of which was recorded in the Official Records as Instrument No. 2008000406579 on August 27, 2008 (herein referred as the “**HFOP Agreement**”). The terms of the HFOP Agreement transferred and assigned development rights related to City Plaza Two Site from Maguire Properties-City Plaza, LLC to HFOP.

(q) In May 2009, Maguire Properties-City Parkway, LLC and AB-City Parkway, LLC entered into that certain Partial Assignment and Assumption of Development Agreement dated May 27, 2009, the original of which was recorded in the Official Records as Instrument No. 2009000268530 on May 28, 2009 (herein referred as the “**AB Agreement**”). The terms of the AB Agreement transferred and assigned development rights related to 605 Building Site from Maguire Properties-City Parkway, LLC to AB-City Parkway, LLC.

(r) In January 2011, Developer and AB-City Parkway, LLC entered into that certain Partial Assignment and Assumption of Development Agreement dated January 7, 2011, the original of which was recorded in the Official Records as Instrument No.2011000013726 on January 7, 2011 (herein referred as the “**CalOptima Agreement**”). The terms of the CalOptima Agreement transferred and assigned development rights related to 605 Building Site from AB-City Parkway, LLC to Developer. The Original Development Agreement, as amended and assigned by the First Amendment, the Second Amendment, the First Operating Memorandum, the Maguire Agreement, the HFOP Agreement, the AB Agreement, and the CalOptima Agreement, is herein referred to as the “**Amended Development Agreement**”.

(s) The Developer represents to the City that, as of the date hereof, it is the owner of the Project, subject to encumbrances, easements, covenants, conditions, restrictions, and other matters of record.

(t) The Parties acknowledge and agree that the term of the Amended Development Agreement expires on October 28, 2014 (the “**Original Termination Date**”). Developer has requested, and the City has agreed, to extend the term of the Amended Development Agreement, subject to the terms hereof.

(u) In order to effectuate the extension of the term of the Amended Development Agreement, the Parties hereby agree to amend and restate in its entirety the Amended Agreement as set forth below.

2. **Definitions.** In this Agreement, unless the context otherwise requires:

(a) “**Applicable Rules**” means the development standards and restrictions set forth in Section 5 of this Agreement which shall govern the use and development of the Project and shall amend and supersede any conflicting or inconsistent provisions of zoning ordinances, regulations or other City requirements relating to development of property within the City.

(b) “**Development Agreement Statutes**” means Government Code §§ 65864 to 65869.5.

(c) **"Discretionary Actions"** and **"Discretionary Approvals"** are actions which require the exercise of judgment or a discretionary decision, and which contemplate and authorize the imposition of revisions or additional conditions, by the City, including any board, commission, or department of the City and any officer or employee of the City; as opposed to actions which in the process of approving or disapproving a permit or other entitlement merely requires the City, including any board, commission, or department of the City and any officer or employee of the City, to determine whether there has been compliance with applicable statutes, ordinances, regulations, or conditions of approval.

(d) **"Effective Date"** is the date the ordinance approving the Original Development Agreement became effective, which was October 28, 2004.

(e) **"Future Approvals"** means any action in implementation of development of the Project which requires Discretionary Approvals pursuant to the Applicable Rules, including, without limitation, parcel maps, tentative subdivision maps, development plan and site plan reviews, and conditional use permits. Upon approval of any of the Future Approvals, as they may be amended from time to time, they shall become part of the Applicable Rules, and Developer shall have a "vested right", as that term is defined under California law, in and to such Future Approvals by virtue of this Agreement.

(f) Other terms not specifically defined in this Agreement shall have the same meaning as set forth in Chapter 17.44 (Development Agreements) of the Orange Municipal Code, as the same existed on the Effective Date.

3. **Binding Effect.** This Agreement, and all of the terms and conditions of this Agreement shall, to the extent permitted by law, constitute covenants which shall run with the land comprising the Project for the benefit thereof, and the benefits and burdens of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective assigns, heirs, or other successors in interest.

4. **Negation of Agency.** The Parties acknowledge that, in entering into and performing under this Agreement, each is acting as an independent entity and not as an agent of the other in any respect. Nothing contained herein or in any document executed in connection herewith shall be construed as making the City and Developer joint venturers, partners, agents of the other, or employer/employee.

5. **Development Standards for the Project, Applicable Rules.** The development standards and restrictions set forth in this Section shall govern the use and development of the Project and shall constitute the Applicable Rules, except as otherwise provided herein, and shall amend and supersede any conflicting or inconsistent provisions of existing zoning ordinances, regulations or other City requirements relating to development of the Project and any subsequent changes to the Applicable Rules as specifically described in Section 5(c).

(a) The following ordinances and regulations shall be part of the Applicable Rules:

(1) The City's General Plan as it existed on the Effective Date;

(2) The City's Municipal Code relating to Development Agreements which is set forth in Chapter 17.44 of the Orange Municipal Code, as it existed on the Effective Date; and

(3) Such other ordinances, rules, regulations, and official policies governing permitted uses of the Project, density, design, improvement, and construction standards and specifications applicable to the development of the Project in force on the Effective Date, except as they may be in conflict with the provision of Subsection (a)(4) of this Section.

(4) The terms, provisions and conditions of the following with respect to each Project as hereinafter described:

(A) Conditional Use Permit No. 2379-01 and Major Site Plan Review No. 107-99 for the 605 Building Site; and

(B) The "fair share" of the Project for the WOCS Improvements and the Traffic Improvement Conditions as set forth in Resolution No. 9843.

(b) The City acknowledges that the Original Developer sold one (1) of the EOP Projects legally described on Exhibit "C" attached hereto and commonly referred to as the "**City Tower Two Site**" to a third party and, the City granted approvals to allow such third party to develop a residential project on the City Tower Two Site. The City further acknowledges that the average daily trips which would be generated by the proposed residential project may be substantially less than the average daily trips that would have been generated by the original project for the City Tower Two Site as identified in the Final EIR. The City hereby agrees and acknowledges that the traffic impacts identified in the Final EIR were studied on an area-wide basis and that the Final EIR adequately studied and determined the traffic impacts and relevant mitigation measures required for such traffic impacts. Accordingly, the City hereby agrees that the difference between the average daily trips allocated to the original City Tower Two Site and the average daily trips which are determined to be generated by the residential project (or other project) located on the City Tower Two Site and approved by the City (the "**Unused Trips**") may be "transferred" to the Project during the term of this Agreement (it being the intention of the Parties that the Unused Trips shall be reserved for the benefit of Developer and the Project and, without the prior written consent of Developer, such Unused Trips shall not be applied to or reserved for the benefit of any other project that is subject to approval by the City).

(c) The Project shall not be required to pay any portion of the "fair share" of the WOCS Improvements and/or Traffic Improvement Conditions payable by or as a result of any project approved by the City on the City Tower Two Site.

(d) The "fair share" of the Project shall not be increased as a result of the failure by the City to recover (for whatever reason) the "fair share" contributions of the UCI Medical Center Expansion and/or The Block at Orange Expansion, nor shall the cost of the WOCS Improvements and the Traffic Improvement Conditions be deemed to be increased as a result of such failure.

(e) Notwithstanding the provisions of this Agreement, the City reserves the right to apply certain other laws, ordinances and regulations under the certain limited circumstances described below:

(1) This Agreement shall not prevent the City from applying new ordinances, rules, regulations and policies relating to uniform codes adopted by City or by the State of California, such as the Uniform Building Code, National Electrical Code, Uniform Mechanical Code or Uniform Fire Code, as amended, and the application of such uniform codes to the Project at the time of application for issuance of building permits for structures on the Project including such amendments to uniform codes as the City may adopt from time to time.

(2) In the event that State or Federal laws or regulations prevent or preclude compliance with one or more of the provisions of this Agreement, such provisions of this Agreement shall be modified or suspended as may be necessary to comply with such State or Federal laws or regulations; provided, however, that this Agreement shall remain in full force and effect to the extent it is not inconsistent with such laws or regulations and to the extent such laws or regulations do not render such remaining provisions impractical to enforce. Notwithstanding the foregoing, City shall not adopt or undertake any regulation, program or action or fail to take any action which is inconsistent or in conflict with this Agreement until, following meetings and discussions with the Developer, the City Council makes a finding, at or following a noticed public hearing, that such regulation, program actions or inaction is required (as opposed to permitted) to comply with such State and Federal laws or regulations after taking into consideration all reasonable alternatives.

(3) Notwithstanding anything to the contrary in this Agreement, City shall have the right to apply City ordinances and regulations (including amendments to Applicable Rules) adopted by the City after the Effective Date, in connection with any Future Approvals, or deny, or impose conditions of approval on, any Future Approvals in City's sole discretion if such application is required to prevent a condition dangerous to the physical health or safety of existing or future occupants of the Project, or any portion thereof or any lands adjacent thereto.

6. **Right to Develop.** Subject to the terms of this Agreement, and as of the Effective Date, Developer shall have a vested right to develop the Project in accordance with the Applicable Rules.

7. **Acknowledgments, Agreements and Assurances on the Part of the Developer.**

(a) **Developer's Faithful Performance.** The Parties acknowledge and agree that Developer's performance in developing the Project and in constructing and installing certain public improvements and complying with the Applicable Rules will fulfill substantial public needs. The City acknowledges and agrees that there is good and valuable consideration to the City resulting from Developer's assurances and faithful performance thereof and otherwise in this Agreement, and that same is in balance with the benefits conferred by the City on the Project. The Parties further acknowledge and agree that the exchanged consideration hereunder is fair, just and reasonable.

(b) **Obligations to be Non-Recourse.** As a material element of this Agreement, and as an inducement to Developer to enter into this Agreement, each of the Parties understands and agrees that the City's remedies for breach of the obligations of Developer under this Agreement shall be limited as described in this Agreement.

(c) **Developer's Commitment Regarding California Sales/Use Taxes.** To the extent permitted by law, Developer will require in its general contractor construction contract that Developer's general contractor and subcontractors exercise their option to obtain a Board of Equalization sales/use tax subpermit for the jobsite at the project site and allocate all eligible use tax payments to the City. Further, to the extent permitted by law, Developer will require in its general contractor construction contract that prior to beginning construction of the project, the general contractor and subcontractors will provide the City with either a copy of the subpermit, or a statement that sales/use tax does not apply to their portion of the job, or a statement that they do not have a resale license which is a precondition to obtaining a subpermit. Further, to the extent permitted by law, Developer will use its best efforts to require in its general contractor construction contract that (1) the general contractor or subcontractor shall provide a written certification that the person(s) responsible for filing the tax return understands the process of reporting the tax to the City and will do so in accordance with the City's conditions of project approval as contained in this Agreement; (2) the general contractor or subcontractor shall, on its quarterly sales/use tax return, identify the sales/use tax applicable to the construction site and use the appropriate Board of Equalization forms and schedules to ensure that the tax is allocated to the City of Orange; (3) in determining the amounts of sales/use tax to be paid, the general contractor or subcontractor shall follow the guidelines set forth in Section 1806 of Sales and Use Tax Regulations; (4) the general contractor or subcontractor shall submit an advance copy of his tax return(s) to the City for inspection and confirmation prior to submittal to the Board of Equalization; and (5) in the event it is later determined that certain eligible sales/use tax amounts were not included on general contractor's or subcontractor's sales/use tax return(s), general contractor and subcontractor agree to amend those returns and file them with the Board of Equalization in a manner that will ensure the City receives such additional sales/use tax as City may be eligible to receive from the project for which that particular contractor and its subcontractors were responsible.

During the term of this Agreement, to the extent permitted by law, Developer shall do one of the following: (1) Developer will review the Direct Payment Permit Process established under State Revenue and Taxation Code Section 7051.3 and, if eligible, acquire and use the permit so that the local share of its sales/use tax payments is allocated to the City; Developer will provide City with either a copy of the direct payment permit or a statement certifying ineligibility to qualify for the permit; Developer will further work with the City to inform all tenants about the Direct Payment Permit Process and encourage their participation, if qualified; or (2) Developer shall make use of its resale license issued by the Board of Equalization to exempt from sales/use taxes Developer's significant equipment purchases relating to the project site from vendors and to direct pay all sales/use tax to the Board of Equalization with the City of Orange as the point of sale for such purchases; in connection with the foregoing, Developer shall provide to the City the vendor names, a description of the equipment to be purchased, the purchase amounts for any out-of-state or out-of-country purchases exceeding \$500,000, and a copy of the applicable quarterly sales/use tax reflecting

payment of the sales/use tax so long as the confidentiality thereof is protected in a manner consistent with the restrictions imposed by Revenue and Taxation Code Section 7056.

City agrees to cause City's sales and use tax consultant, which is presently the HdL Companies, to reasonably cooperate with Developer, Developer's general contractor(s) and the general contractors' subcontractors to maximize City's receipt of sales/use tax hereunder.

(d) **Limitation on Parking.** Developer acknowledges and agrees that the total amount of parking to be constructed by Developer in connection with the Project shall not exceed the maximum authorized parking set forth in Conditional Use Permit No. 2379-01.

8. **Acknowledgments, Agreements and Assurances on the Part of the City.** In order to effectuate the provisions of this Agreement, and in consideration for the Developer to obligate itself to carry out the covenants and conditions set forth in the preceding Section of this Agreement, the City hereby agrees and assures Developer that Developer will be permitted to carry out and complete the development of the Project in accordance with the Applicable Rules, subject to the terms and conditions of this Agreement and the Applicable Rules. Therefore, the City hereby agrees and acknowledges that:

(a) **Entitlement to Develop.** The Developer is hereby granted the vested right to develop the Project to the extent and in the manner provided in this Agreement, subject to the Applicable Rules and the **Future Approvals.**

(b) **Conflicting Enactments.** Except as provided in Subsection (e) of Section 5 above, any change in the Applicable Rules, including, without limitation, any change in any applicable general area or specific plan, zoning, subdivision or building regulation, adopted or becoming effective after the Effective Date, including, without limitation, any such change by means of a Future Approval, an ordinance, initiative, resolution, policy, order or moratorium, initiated or instituted for any reason whatsoever and adopted by the Council, the Planning Commission or any other board, commission or department of City, or any officer or employee thereof, or by the electorate, as the case may be, which would, absent this Agreement, otherwise be applicable to the Project and which would conflict in any way with or be more restrictive than the Applicable Rules ("Subsequent Rules"), shall not be applied by City to any part of the Project. Developer may give City written notice of its election to have any Subsequent Rule applied to such portion of the Project as it may own, in which case such Subsequent Rule shall be deemed to be an Applicable Rule insofar as that portion of the Project is concerned.

(c) **Permitted Conditions.** Provided Developer's applications for any Future Approvals are consistent with this Agreement and the Applicable Rules, City shall grant the Future Approvals in accordance with the Applicable Rules and authorize development of the Project for the uses and to the density and regulations as described herein. City shall have the right to impose reasonable conditions in connection with Future Approvals and, in approving tentative subdivision maps, impose dedications for rights of way or easements for public access, utilities, water, sewers, and drainage necessary for the Project or other developments on the Project; provided, however, that such conditions and dedications shall not be inconsistent with the Applicable Rules in effect prior to imposition of the new requirement nor inconsistent with

the development of the Project as contemplated by this Agreement; and provided further that such conditions and dedication shall not impose additional infrastructure or public improvement obligations in excess of those identified in this Agreement or normally imposed by the City. In connection with a Future Approval, Developer may protest any conditions, dedications or fees to the City Council or as otherwise provided by City rules or regulations while continuing to develop the Project; such a protest by Developer shall not delay or stop the issuance of building permits or certificates of occupancy unless otherwise provided in the Applicable Rules.

(d) **Timing of Development.** Because the California Supreme Court held in *Pardee Construction Co. v. City of Camarillo*, 37 Cal.3d 465 (1984) that failure of the parties to provide for the timing of development resulted in a later adopted initiative restricting the timing of development to prevail over the parties' Agreement, it is the intent of Developer and the City to cure that deficiency by acknowledging and providing that Developer shall have the right (without the obligation) to develop the Project in such order and at such rate and at such time as it deems appropriate within the exercise of its subjective business judgment, subject to the terms of this Agreement.

(e) **Moratorium.** No City-imposed moratorium or other limitation (whether relating to the rate, timing or sequencing of the development or construction of all or any part of the Project whether imposed by ordinance, initiative, resolution, policy, order or otherwise, and whether enacted by the Council, an agency of City, the electorate, or otherwise) affecting parcel or subdivision maps (whether tentative, vesting tentative or final), building permits, occupancy certificates or other entitlements to use or service (including, without limitation, water and sewer, should the City ever provide such services) approved, issued or granted within City, or portions of City, shall apply to the Project to the extent such moratorium or other limitation is in conflict with this Agreement and/or the Applicable Rules.

(f) **Permitted Fees and Exactions.** Certain development impact and processing fees have been imposed on the Project as conditions of the Existing Project Approvals (including, by way of example but not limited to, TSIP Fees, park facility fees, library facility fees, policy facility fees and fire facility fees), which impact and processing fees are in existence on the Effective Date ("**Development Project Fees**"). Development Project Fees applicable to the Project, together with any processing fees charged by the City for the City's administrative time and related costs incurred in preparing and considering any application for the Project, shall be assessed in the amount they exist at the time Developer becomes liable to pay such fees, provided that such fees shall not exceed the fees that are charged by the City generally to all other applicants similarly situated, on a non-discriminatory basis for similar approvals, permits, or entitlements granted by City. During the term of this Agreement, the City shall be precluded from applying any development impact fee that does not exist as of the Effective Date, except for an impact fee the City may adopt on a City-wide basis for administrative facility capital improvements. This provision does not authorize City to impose fees on the Project that could not be imposed in the absence of this Agreement. Except as otherwise provided in this Agreement, City shall only charge and impose those fees and exactions, including, without limitation, dedications and any other fees or taxes (including excise, construction or any other taxes) relating to development or the privilege of developing the Project as set forth in the Applicable Rules described in Section 5 of this Agreement; provided, however, that Section 5

shall not apply to the following fees and taxes and shall not be construed to limit the authority of City to:

(1) Impose or levy general or special taxes, including but not limited to, property taxes, sales taxes, parcel taxes, transient occupancy taxes, business taxes, which may be applied to the Project or to businesses occupying the Project; provided, however, that the tax is of general applicability citywide and does not burden the Project disproportionately to other development within the City; or

(2) Collect such fees or exactions as are imposed and set by governmental entities not controlled by City but which are required to be collected by City.

(g) **Project Mitigation.** The Developer shall undertake and complete the mitigation requirements of the Existing Project Approvals. These requirements shall be satisfied within the time established therefor in the Existing Project Approvals.

9. **Cooperation and Implementation.** The City and Developer agree that they will cooperate with one another to the fullest extent reasonable and feasible to implement this Agreement. Upon satisfactory performance by Developer of all required preliminary conditions of approval, actions and payments, the City will commence and in a timely manner proceed to complete all steps necessary for the implementation of this Agreement and the development of the Project in accordance with the terms of this Agreement. Developer shall, in a timely manner, provide the City with all documents, plans, and other information necessary for the City to carry out its obligations. Additionally:

(a) **Further Assurances: Covenant to Sign Documents.** Each party shall take all actions and do all things, and execute, with acknowledgment or affidavit, if required, any and all documents and writings, including estoppel certificates, that may be necessary or proper to achieve the purposes and objectives of this Agreement.

(b) **Reimbursement and Apportionment.** Nothing in this Agreement precludes City and Developer from entering into any reimbursement agreements for reimbursement to the Developer of the portion (if any) of the cost of any dedications, public facilities and/or infrastructure that City, pursuant to this Agreement, may require as conditions of the Future Approvals agreed to by the Parties, to the extent that they are in excess of those reasonably necessary to mitigate the impacts of the Project or development on the Project.

(c) **Processing.** Upon satisfactory completion by Developer of all required preliminary actions and payments of appropriate processing fees, if any, City shall, subject to all legal requirements, promptly initiate, diligently process, and complete all required steps, and promptly act upon any approvals and permits necessary for the development by Developer in accordance with this Agreement, including, but not limited to, the following:

(1) the processing of applications for and issuing of all discretionary approvals requiring the exercise of judgment and deliberation by City, including without limitation, the Future Approvals;

(2) the holding of any required public hearings; and

(3) the processing of applications for and issuing of all ministerial approvals requiring the determination of conformance with the Applicable Rules, including, without limitation, site plans, grading plans, improvement plans, building plans and specifications, and ministerial issuance of one or more final maps, grading permits, improvement permits, wall permits, building permits, lot line adjustments, encroachment permits, temporary use permits, certificates of use and occupancy and approvals and entitlements and related matters as necessary for the completion of the development of the Project ("**Ministerial Approvals**").

(d) **Processing During Third Party Litigation.** The filing of any third party lawsuit(s) against City and Developer relating to this Agreement or to other development issues affecting the Project shall not delay or stop the development, processing or construction of the Project, approval of the Future Approvals, or issuance of Ministerial Approvals, unless the third party obtains a court order preventing the activity. City shall not stipulate to or fail to oppose the issuance of any such order.

(e) **Defense of Agreement.** City agrees to and shall timely take all actions which are necessary or required to uphold the validity and enforceability of this Agreement and the Applicable Rules, subject to the indemnification provisions of this Section. Developer shall indemnify, protect and hold harmless, the City and any agency or instrumentality thereof, and/or any of its officers, employees, and agents from any and all claims, actions, or proceedings against the City, or any agency or instrumentality thereof, or any of its officers, employees and agents, to attack, set aside, void, annul, or seek monetary damages resulting from an approval of the City, or any agency or instrumentality thereof, advisory agency, appeal board or legislative body including actions approved by the voters of the City, concerning this Agreement. The City shall promptly notify the Developer of any claim, action, or proceeding brought forth within this time period. The Developer and City shall select joint legal counsel to conduct such defense and which legal counsel shall represent both the City and Developer in the defense of such action. The City in consultation with Developer shall estimate the cost of the defense of the action and Developer shall deposit said amount with the City. City may require additional deposits to cover anticipated costs. City shall refund, without interest, any unused portions of the deposit once the litigation is finally concluded. Should the City fail to either promptly notify or cooperate fully, Developer shall not thereafter be responsible to indemnify, defend, protect, or hold harmless the City, any agency or instrumentality thereof, or any of its officers, employees, or agents. Should the Developer fail to post the required deposit within five (5) working days from notice by City, City may terminate this Agreement pursuant to its terms. If City elects to terminate this Agreement pursuant to this Section, it shall do so by written notice to Developer, whereupon this Agreement shall terminate, expire and have no further force or effect as to the Project. Thereafter, the terminating party's indemnity and defense obligations pursuant to this Agreement shall have no further force or effect as to acts or omissions from and after the effective date of said termination.

10. **Compliance; Termination; Modifications and Amendments.**

(a) **Review of Compliance.** The City's Director of Community Development (or designee) shall review this Development Agreement once each year, on or before each anniversary of the Effective Date ("**Periodic Review**"), in accordance with this Section, and the Applicable Rules and the City's Municipal Code in order to determine whether or not Developer

is out-of-compliance with any specific term or provision of this Agreement. At commencement of each Periodic Review, the Director shall notify Developer in writing that the Periodic Review will commence or has commenced.

(b) **Prima Facie Compliance.** Within thirty (30) days after receipt of the Director's notice that the Periodic Review will commence or has commenced (and unless Developer requests and is granted a waiver by the City), Developer shall demonstrate that it has, during the preceding twelve (12) month period, been in reasonable prima facie compliance with this Agreement. For purposes of this Agreement, the phrase "reasonable prima facie compliance" shall mean that Developer has demonstrated that it has acted in accordance with this Agreement.

(c) **Notice of Non-Compliance, Cure Rights.** If during any Periodic Review, the Director reasonably concludes that (i) Developer has not demonstrated that it is in reasonable prima facie compliance with this Agreement, and (ii) Developer is out of compliance with a specific, substantive term or provision of this Agreement, then the Director may issue and deliver to Developer a written notice of non-compliance ("**Notice of Non-Compliance**") detailing the specific reasons for non-compliance (including references to sections and provisions of this Agreement and Applicable Rules which have allegedly been breached) and a complete statement of all facts demonstrating such non-compliance. Developer shall have thirty (30) calendar days following its receipt of the Notice of Non-compliance in which to cure said failure(s); provided, however, that if any one or more of the item(s) of non-compliance set forth in the Notice of Non-compliance cannot reasonably be cured within said thirty (30) calendar day period, then Developer shall not be in breach of this Agreement if it commences to cure said item(s) within said thirty (30) day period and diligently prosecutes said cure to completion. Upon completion of each Periodic Review, the Director shall submit a report to the City Council if the Director determines that Developer has not satisfactorily demonstrated reasonable prima facie compliance with this Agreement. The Director shall submit a report to the City Council stating what steps have been taken by the Director or what steps the Director recommends that the City subsequently take with reference to the alleged non-compliance. (If the Director determines that the Developer has demonstrated reasonable prima facie compliance with this Agreement, the Director will not be required to submit a report to the City Council.) Non-performance by either party shall be excused when it is delayed unavoidably and beyond the reasonable control of the Parties as a result of any of the events identified in Section 19 of this Agreement.

(d) **Termination of Development Agreement as to Breaching Party.** If Developer fails to timely cure any item(s) of non-compliance set forth in a Notice of Non-compliance, then the City shall have the right, but not the obligation, to initiate proceedings for the purpose of terminating this Agreement. Such proceedings shall be initiated by notice to the Developer, followed by meetings between the Developer and the City for the purpose of good faith negotiations between the Parties to resolve the dispute. If the City determines to terminate this Agreement following a reasonable number of meetings and a reasonable opportunity for the Developer to cure any non-performance, the City shall give Developer written notice of its intent to so terminate this Agreement, specifying the precise grounds for termination and setting a date, time and place for a public hearing on the issue, all in compliance with the Development Agreement Statutes. At the noticed public hearing, Developer and/or its designated

representative shall be given an opportunity to make a full and public presentation to the City. If, following the taking of evidence and hearing of testimony at said public hearing, the City finds, based upon a preponderance of evidence, that the Developer has not demonstrated compliance with this Agreement, and that Developer is out of material compliance with a specific, substantive term or provision of this Agreement, then the City may (unless the Parties otherwise agree in writing) terminate this Agreement.

(e) **Notice and Opportunity to Cure if City Breaches.** If at any time Developer reasonably concludes that (i) City has not acted in prima facie compliance with this Agreement, and (ii) City is out of compliance with a specific, substantive term or provision of this Agreement, then Developer may issue and deliver to City written notice of City's non-compliance, detailing the specific reasons for non-compliance (including references to sections and provisions of this Agreement which have allegedly been breached) and a complete statement of all facts demonstrating such non-compliance. Developer shall also meet with the City as appropriate to discuss any alleged non-compliance on the part of the City. City shall have thirty (30) calendar days following its receipt of the Notice of Non-compliance in which to cure said failure(s); provided, however, that if any one or more of the item(s) of non-compliance set forth in the Notice of Non-compliance cannot reasonably be cured within said thirty (30) calendar day period, then City shall not be in breach of this Agreement if it commences to cure said item(s) within said thirty (30) day period and diligently prosecutes said cure to completion.

(f) **Modification or Amendment, of Development Agreement.** Subject to the notice and hearing requirements of the applicable Development Agreement Statutes, this Agreement may be modified or amended from time to time only with the written consent of Developer and the City or their successors and assigns in accordance with the provisions of the Municipal Code and Government Code §65868.

(g) **No Cross-Default.** Notwithstanding anything set forth in this Agreement to the contrary, in no event shall the breach of or default under this Agreement by Developer with respect to the Project constitute a breach of or default under this Agreement or any other agreement with respect to any other development project. In other words, the Project identified in this Agreement shall stand alone for purposes of its compliance with the terms, provisions and requirements of this Agreement and any other agreement between the City and Developer.

11. **Operating Memoranda.** The provisions of this Agreement require a close degree of cooperation between City and Developer. The anticipated refinements to the Project and other development activity at the Project may demonstrate that clarifications to this Agreement and the Applicable Rules are appropriate with respect to the details of performance of City and Developer. If and when, from time to time during the term of this Agreement, City and Developer agree that such clarifications are necessary or appropriate, they shall effectuate such clarifications through operating memoranda approved in writing by the City and Developer which, after execution, shall be attached hereto and become a part of this Agreement, and the same may be further clarified from time to time as necessary with future written approval by City and Developer. Operating memoranda are not intended to constitute an amendment to this Agreement but mere ministerial clarifications; therefore, no public notice or hearing shall be required. The City Attorney shall be authorized, upon consultation with and approval of Developer, to determine whether a requested clarification may be effectuated pursuant to this

Section or whether the requested clarification is of such a character to constitute an amendment hereof which requires compliance with the provisions of Section 10(f) above. The authority to enter into such operating memoranda is hereby delegated to the City Manager and the City Manager is hereby authorized to execute any operating memoranda hereunder without further action by the City Council.

12. **Term of Agreement.** This Agreement shall become operative and shall commence upon the date the ordinance approving this Agreement becomes effective. Subject to payment by Developer of the “**Public Benefit Fees**” that are applicable in the amounts and at the times identified on **Exhibit "D"** attached hereto, this Agreement shall remain in effect for a period of up to six (6) years from the Original Termination Date unless this Agreement is terminated, modified or extended upon mutual written consent of the Parties hereto or as otherwise provided in this Agreement. Unless otherwise agreed to by the City and Developer, Developer’s failure to pay any portion of the Public Benefit Fees within the time period set forth on **Exhibit “D”** shall be deemed Developer’s election not to extend the term of this Agreement. In no event shall the Public Benefit Fees be supplemented, raised or increased above the amounts identified on **Exhibit "D"**.

(a) **First Payment of Public Benefit Fees.** Within forty-five (45) days of mutual execution of this Agreement by the Developer and the City, Developer shall pay to the City the First Public Benefit Fee (as defined on **Exhibit “D”**). Upon payment by Developer to the City of the First Public Benefit Fee, this Agreement shall remain in effect for a period of two (2) years from the Original Termination Date (such two (2) year period being the “**Initial Term**”).

(b) **Second Payment of Public Benefit Fees.** If Developer elects, in its sole and absolute discretion, to extend this Agreement beyond the Initial Term, then Developer shall pay to the City the Second Public Benefit Fee (as defined on **Exhibit “D”**) no later than the time set forth on **Exhibit “D”**. Upon payment by Developer to the City of the Second Public Benefit Fee, this Agreement shall be automatically extended for an additional two (2) years from the expiration of the Initial Term (such two (2) year period being the “**First Automatic Renewal Term**”).

(c) **Final Payment of Public Benefit Fees.** If Developer elects, in its sole and absolute discretion, to further extend this Agreement beyond the First Automatic Renewal Term, then Developer shall pay to the City the Third Public Benefit Fee (as defined on **Exhibit “D”**) no later than the time set forth on **Exhibit “D”**. Upon payment by Developer to the City of the Third Public Benefit Fee, this Agreement shall be automatically extended for an additional two (2) years from the expiration of the First Automatic Renewal Term.

(d) Following expiration or termination of the term hereof, this Agreement shall be deemed terminated and of no further force and effect; provided, however, that no such expiration or termination shall automatically affect any right of the City and Developer arising from City approvals on the Project prior to expiration or termination of the term hereof or arising from the duties of the Parties as prescribed in this Agreement.

13. **Administration of Agreement and Resolution of Disputes.**

(a) **Administration of Disputes.** All disputes involving the enforcement, interpretation or administration of this Agreement (including, but not limited to, decisions by the City staff concerning this Agreement and any of the projects or other matters concerning this Agreement which are the subject hereof) shall first be subject to good faith negotiations between the Parties to resolve the dispute. In the event the dispute is not resolved by negotiations, the dispute shall then be heard and decided by the City Council. Thereafter, any decision of the City Council which remains in dispute shall be appealed to, heard by, and resolved pursuant to the Mandatory Alternative Dispute Resolution procedures set forth in Section 13(b) hereinbelow. Unless the dispute is resolved sooner, City shall use diligent efforts to complete the foregoing City Council review within thirty (30) days following receipt of a written notice of default or dispute notice. Nothing in this Agreement shall prevent or delay Developer or City from seeking a temporary or preliminary injunction in state or federal court if it believes that injunctive relief is necessary on a more immediate basis.

(b) **Mandatory Alternative Dispute Resolution.** After the provisions of Section 13(a) above have been complied with, and pursuant to Code of Civil Procedure §638, *et seq.*, all disputes regarding the enforcement, interpretation or administration of this Agreement (including, but not limited to, appeals from decisions of the City Council, all matters involving Code of Civil Procedure §1094.5, all Ministerial Approvals, Discretionary Approvals, Future Approvals and the application of Applicable Rules) shall be heard and resolved pursuant to the alternative dispute resolution procedure set forth in this Section 13(b). All matters to be heard and resolved pursuant to this Section 13(b) shall be heard and resolved by a single appointed referee who shall be a retired judge from either the California Superior Court, the California Court of Appeals, the California Supreme Court, the United States District Court or the United States Court of Appeals, provided that the appointed referee shall have significant and recent experience in resolving land use and real property disputes. The Parties to this Agreement who are involved in the dispute shall agree and appoint a single referee who shall then try all issues, whether of fact or law, and report in writing to the Parties to such dispute all findings of fact and issues and decisions of law and the final judgments made thereon, in sufficient detail to inform each party as to the basis of the referee's decision. The referee shall try all issues as if he/she were a California Superior Court judge, sitting without a jury, and shall (unless otherwise limited by any term or provision of this Agreement) have all legal and equitable powers granted a California Superior Court judge. Prior to the hearing, the Parties shall have full discovery rights as provided by the California Code of Civil Procedure. At the hearing, the Parties shall have the right to present evidence, examine and cross-examine lay and expert witnesses, submit briefs and have arguments of counsel heard, all in accordance with a briefing and hearing schedule reasonably established by the referee. The referee shall be required to follow and adhere to all laws, rules and regulations of the State of California in the hearing of testimony, admission of evidence, conduct of discovery, issuance of a judgment and fashioning of remedy, subject to such restriction on remedies as set forth in this Agreement. If the Parties involved in the dispute are unable to agree on a referee, any party to the dispute may seek to have a single referee appointed by a California Superior Court judge and the hearing shall be held in Orange County pursuant to California Code of Civil Procedure §640. The cost of any proceeding held pursuant to this Section 13(b) shall initially be borne equally by the Parties involved in the dispute, and each party shall bear its own attorneys' fees. Any referee selected pursuant to this Section shall

be considered a temporary judge appointed pursuant to Article 6, Section 21 of the Constitution of the State of California. The cost of the referee shall be borne equally by each party. If any party to the dispute fails to timely pay its fees or costs, or fails to cooperate in the administration of the hearing and decision process as determined by the referee, the referee shall, upon the written request of any party to the dispute, be required to issue a written notice of breach to the defaulting party, and if the defaulting party fails to timely respond or cooperate with the period of time set forth in the notice of default (which in any event may not exceed thirty (30) calendar days), then the referee shall, upon the request of any non-defaulting party, render a default judgment against the defaulting party. At the end of the hearing, the referee shall issue a written judgment (which may include an award of reasonable attorneys' fees and costs as provided elsewhere in this Agreement), which judgment shall be final and binding between the Parties and which may be entered as a final judgment in a California Superior Court. The referee shall use his/her best efforts to finally resolve the dispute and issue a final judgment within sixty (60) calendar days from the date of his/her appointment. Pursuant to Code of Civil Procedure Section 645, the decision of the referee may be excepted to and reviewed in like manner as if made by the Superior Court.

(1) Any party to the dispute may, in addition to any other rights or remedies provided by this Agreement, seek appropriate judicial ancillary remedies from a court of competent jurisdiction to enjoin any threatened or attempted violation hereof, or enforce by specific performance the obligations and rights of the Parties hereto, except as otherwise provided herein.

(2) The Parties hereto agree that (i) the City would not have entered into this Agreement if it were to be held liable for general, special or compensatory damages for any default under or with respect to this Agreement or the application thereof, and (ii) Developer has adequate remedies, other than general, special or compensatory damages, to secure City's compliance with its obligations under this Agreement. Therefore, the undersigned agree that neither the City nor its officers, employees or agents shall be liable for any general, special or compensatory damages to Developer or to any successor or assignee or transferee of Developer for the City's breach or default under or with respect to this Agreement; and Developer covenants not to sue the City, its officers, employees or agents for, or claim against the City, its officers, employees or agents, any right to receive general, special or compensatory damages for the City's default under this Agreement. Notwithstanding the provisions of this Section 13(b)(2), City agrees that Developer shall have the right to seek a refund or return of a deposit made with the City or fee paid to the City in accordance with the provisions of the Applicable Rules.

(c) In the event Developer challenges an ordinance or regulation of the City as being outside of the authority of the City pursuant to this Agreement, Developer shall bear the burden of proof in establishing that such ordinance, rule, regulation, or policy is inconsistent with the terms of this Agreement and applied in violation thereof.

14. **Transfers and Assignments.**

(a) **Right to Assign.** Developer shall have the right to encumber, sell, transfer or assign all or any portion of the Project which it may own to any person or entity (such person or entity, a "**Transferee**") at any time during the term of this Agreement without approval

of the City, provided that Developer provides the City with written notice of the applicable transfer within thirty (30) days of the transfer, along with notice of the name and address of the assignee. Nothing set forth herein shall cause a lease or license of any portion of the Project to be deemed to constitute a transfer of the Project, or any portion thereof. This Agreement may be assigned or transferred by Developer as to and in conjunction with the sale or transfer of all or a portion of the Project, as permitted by this Section 14, provided that the Transferee has agreed in writing to be subject to all of the provisions of this Agreement applicable to the portion of the Project so transferred.

(b) **Liabilities Upon Transfer.** Upon the delegation of all duties and obligations and the sale, transfer or assignment of all or any portion of the Project to a Transferee, Developer shall be released from its obligations under this Agreement with respect to the Project or portion thereof so transferred arising subsequent to the effective date of such transfer if (1) Developer has provided to City thirty (30) days' prior written notice of such transfer and (2) the Transferee has agreed in writing to be subject to all of the provisions hereof applicable to the portion of the Project so transferred. Upon any transfer of any portion of the Project and the express assumption of Developer's obligations under this Agreement by such Transferee, the Transferee becomes a party to this Agreement, and the City agrees to look solely to the Transferee for compliance by such Transferee with the provisions of this Agreement as such provisions relate to the portion of the Project acquired by such Transferee. Any such Transferee shall be entitled to the benefits of this Agreement and shall be subject to the obligations of this Agreement, applicable to the parcel(s) transferred. A default by any Transferee shall only affect that portion of the Project owned by such Transferee and shall not cancel or diminish in any way Developer's rights hereunder with respect to any portion of the Project not owned by such Transferee. The Transferee shall be responsible for the reporting and annual review requirements relating to the portion of the Project owned by such Transferee, and any amendment to this Agreement between City and a transferee shall only affect the portion of the Project owned by such transferee. In the event that Developer retains its obligations under this Agreement with respect to the portion of the Project transferred by Developer, the Transferee in such a transaction (a "**Non-Assuming Transferee**") shall be deemed to have no obligations under this Agreement, but shall continue to benefit from all rights provided by this Agreement for the duration of the term set forth in Section 12. Nothing in this section shall exempt any Non-Assuming Transferee from payment of applicable fees and assessments or compliance with applicable permit conditions of approval or mitigation measures.

15. **Mortgage Protection.** The Parties hereto agree that this Agreement shall not prevent or limit Developer, at Developer's sole discretion, from encumbering the Project or any portion thereof or any improvement thereon in any manner whatsoever by any mortgage, deed of trust, sale/leaseback, synthetic lease or other security device securing financing with respect to the Project. City acknowledges that the lender(s) providing such financing may require certain Agreement interpretations and modifications and agrees, upon request, from time to time, to meet with Developer and representatives of such lender(s) to negotiate in good faith any such request for interpretation or modification; provided, however, that no such interpretations or modifications shall diminish the public benefits received under this Agreement unless the City agrees to the acceptance of such diminished public benefits. City will not unreasonably withhold its consent to any such requested interpretation or modification, provided such interpretation or modification is consistent with the intent and purposes of this Agreement. Any mortgagee of a

mortgage or a beneficiary of a deed of trust or landlord under a sale/leaseback, synthetic lease or lender providing secured financing in any manner ("**Mortgagee**") on the Project shall be entitled to the following rights and privileges:

(a) **Mortgage Not Rendered Invalid**. Neither entering into this Agreement nor a breach of this Agreement shall defeat, render invalid, diminish, or impair the lien of any mortgage, deed of trust or other financing documents on the Project made in good faith and for value.

(b) **Request for Notice to Mortgagee**. The Mortgagee of any mortgage, deed of trust or other financing documents encumbering the Project, or any part thereof, who has submitted a request in writing to City in the manner specified herein for giving notices shall be entitled to receive written notification from City of any default by Developer in the performance of Developer's obligations under this Agreement.

(c) **Mortgagee's Time to Cure**. If City timely receives a request from a Mortgagee requesting a copy of any notice of default given to Developer under the terms of this Agreement, City shall provide a copy of that notice to the Mortgagee within ten (10) days of sending the notice of default to Developer. The Mortgagee shall have the right, but not the obligation, to cure the default during the remaining cure period allowed Developer under this Agreement, as well as any reasonable additional time necessary to cure, including reasonable time for reacquisition of the Project or the applicable portion thereof.

(d) **Project Taken Subject to Obligations**. Any Mortgagee who comes into possession of the Project or any portion thereof, pursuant to foreclosure of the mortgage, deed of trust, or other financing documents, or deed in lieu of foreclosure, shall take the Project or portion thereof subject to the terms of this Agreement; provided, however, that in no event shall such Mortgagee be held liable for any default or monetary obligation of Developer arising prior to acquisition of title to the Project by such Mortgagee, except that no such Mortgagee (nor its successors or assigns) shall be entitled to a building permit or occupancy certificate until all delinquent and current fees and other monetary obligations due under this Agreement for the Project or portion thereof acquired by such Mortgagee have been paid to City.

16. **Notices**. All notices under this Agreement shall be in writing and shall be deemed delivered when personally received by the addressee, or within three (3) calendar days after deposit in the United States mail by registered or certified mail, postage prepaid, return receipt requested, to the following Parties and their counsel at the addresses indicated below; provided, however, if any party to this Agreement delivers a notice or causes a notice to be delivered to any other party to this Agreement, a duplicate of that Notice shall be concurrently delivered to each other party and their respective counsel.

If to City:

City of Orange
300 East Chapman Avenue
Orange, CA 92866
Attention: City Manager
Facsimile: (714) 744-5147

With a copy to: Wayne Winthers, Esq.
City Attorney
City of Orange
300 East Chapman Avenue
Orange, California 92866
Facsimile: (714) 538-7157

If to Developer: ORANGE COUNTY HEALTH AUTHORITY, a public
agency doing business as CalOptima
505 City Parkway West
Orange, California 92868
Attention: Mr. Mike Ruane
Facsimile: (714) 571-2416

Notice given in any other manner shall be effective when received by the addressee. The addresses for notices may be changed by notice given in accordance with this provision.

17. **Severability and Termination.** If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid or unenforceable, or if any provision of this Agreement is superseded or rendered unenforceable according to any law which becomes effective after the Effective Date, the remainder of this Agreement shall be effective to the extent the remaining provisions are not rendered impractical to perform, taking into consideration the purposes of this Agreement.

18. **Time of Essence.** Time is of the essence for each provision of this Agreement of which time is an element.

19. **Force Majeure.** Changed conditions, changes in local, state or federal laws or regulations, floods, earthquakes, delays due to strikes or other labor problems, moratoria enacted by City or by any other governmental entity or agency (subject to Sections 5 and 8 of this Agreement), third-party litigation, injunctions issued by any court of competent jurisdiction, initiatives or referenda, the inability to obtain materials, civil commotion, fire, acts of God, or other circumstances which substantially interfere with the development or construction of the Project, or which substantially interfere with the ability of any of the Parties to perform its obligations under this Agreement, shall collectively be referred to as "**Events of Force Majeure**". If any party to this Agreement is prevented from performing its obligation under this Agreement by any Event of Force Majeure, then, on the condition that the party claiming the benefit of any Event of Force Majeure, (a) did not cause any such Event of Force Majeure and (b) such Event of Force Majeure was beyond said party's reasonable control, the time for performance by said party of its obligations under this Agreement shall be extended by a number of days equal to the number of days that said Event of Force Majeure continued in effect, or by the number of days it takes to repair or restore the damage caused by any such Event to the condition which existed prior to the occurrence of such Event, whichever is longer. In addition, the termination date of this Agreement as set forth in Section 12 of this Agreement shall be extended by the number of days equal to the number of days that any Events of Force Majeure were in effect.

20. **Waiver.** No waiver of any provision of this Agreement shall be effective unless in writing and signed by a duly authorized representative of the party against whom enforcement of a waiver is sought.

21. **No Third Party Beneficiaries.** This Agreement is made and entered into for the sole protection and benefit of the Developer and the City and their successors and assigns. Notwithstanding anything contained in this Agreement to the contrary, no other person shall have any right of action based upon any provision of this Agreement.

22. **Attorneys' Fees.** In the event any dispute hereunder is resolved pursuant to the terms of Section 13 (b) hereof, or if any party commences any action for the interpretation, enforcement, termination, cancellation or rescission of this Agreement, or for specific performance for the breach hereof, the prevailing party shall be entitled to its reasonable attorneys' fees, litigation expenses and costs arising from the action. Attorneys' fees under this Section shall include attorneys' fees on any appeal as well as any attorneys' fees incurred in any post judgment proceedings to collect or enforce the judgment.

23. **Incorporation of Exhibits.** The following exhibits which are part of this Agreement are attached hereto and each of which is incorporated herein by this reference as though set forth in full:

- (a) Exhibit "A" — Legal Description of the 605 Building Site;
- (b) Exhibit "B" — Copy of Resolution No. 9843 of the City Council of the City of Orange;
- (c) Exhibit "C" — Legal Description of the City Tower Two Site; and
- (d) Exhibit "D" — Public Benefit Fees.

24. **Copies of Applicable Rules.** Prior to the Effective Date, the City and Original Developer prepared two (2) sets of the Applicable Rules, one each for City and Original Developer, so that if it became necessary in the future to refer to any of the Applicable Rules, there would be a common set available to the Parties. The City agrees to deliver to Developer a copy of the Applicable Rules upon request.

25. **Authority to Execute, Binding Effect.** Developer represents and warrants to the City that it has the power and authority to execute this Agreement and, once executed, this Agreement shall be final, valid, binding and enforceable against Developer in accordance with its terms. The City represents and warrants to Developer that (a) all public notices and public hearings have been held in accordance with law and all required actions for the adoption of this Agreement have been completed in accordance with applicable law; (b) this Agreement, once executed by the City, shall be final, valid, binding and enforceable on the City in accordance with its terms; and (c) this Agreement may not be amended, modified, changed or terminated in the future by the City except in accordance with the terms and conditions set forth herein.

26. **Entire Agreement; Conflicts.** This Agreement represents the entire of the Parties. This Agreement integrates all of the terms and conditions mentioned herein or incidental

hereto, and supersedes all negotiations or previous s between the Parties or their predecessors in interest with respect to all or any part of the subject matter hereof. Should any or all of the provisions of this Agreement be found to be in conflict with any other provision or provisions found in the Applicable Rules, then the provisions of this Agreement shall prevail.

27. **Remedies.** Upon either party's breach hereunder, the non-breaching party shall be permitted to pursue any remedy provided for hereunder.

[SIGNATURES BEGIN ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties have each executed this Agreement on the date first written above.

CITY OF ORANGE:

Teresa E. Smith, Mayor

ATTEST:

Mary E. Murphy, City Clerk

APPROVED AS TO FORM:

By: _____
Wayne W. Winthers, City Attorney

DEVELOPER:

ORANGE COUNTY HEALTH AUTHORITY,
a public agency doing business as CalOptima

By: ORANGE COUNTY HEALTH AUTHORITY,
a public agency doing business as CalOptima

its _____

By: ORANGE COUNTY HEALTH AUTHORITY,
a public agency doing business as CalOptima

its _____

EXHIBIT "A"

**LEGAL DESCRIPTION
605 BUILDING TWO**

That certain real property located in the City of Orange, County of Orange, State of California, described as follows:

PARCEL A:

PARCEL 2 OF THE LOT LINE ADJUSTMENT NO. LL94-1, IN THE CITY OF ORANGE, COUNTY OF ORANGE, STATE OF CALIFORNIA, RECORDED APRIL 12, 1996 AS INSTRUMENT NO. 96-180461, OFFICIAL RECORDS.

EXCEPT FROM THAT PORTION THEREOF INCLUDED WITHIN THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF FRACTIONAL SECTION 35, TOWNSHIP 4 SOUTH, RANGE 10 WEST, IN THE RANCHO LAS BOLSAS, IN THE CITY OF ORANGE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 51, PAGE 10 OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, ALL OIL AND OTHER MINERAL RIGHTS IN OR UNDER SAID LAND, LYING BELOW A DEPTH OF 500 FEET FROM THE SURFACE THEREOF, BUT WITHOUT THE RIGHT OF ENTRY, AS RESERVED IN THE DEED FROM CHESTER M. BARNES AND OTHERS, RECORDED OCTOBER 2, 1999 IN BOOK 4911, PAGE 214, OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM ALL SUBSURFACE WATER AND SUBSURFACE WATER RIGHTS IN AND UNDER SAID LAND.

PARCEL B:

A NONEXCLUSIVE EASEMENT FOR UTILITY FACILITIES FOR THE BENEFIT OF PARCEL A, IN, ON, OVER, TO, UNDER, THROUGH, UPON AND ACROSS THE REAL PROPERTY DESCRIBED IN THAT CERTAIN DECLARATION OF UTILITY LINE EASEMENT, DATED JULY 11, 1996, AND RECORDED JULY 11, 1996 AS INSTRUMENT NO. 19960354693 OF OFFICIAL RECORDS, AS SET FORTH IN SAID DECLARATION.

EXHIBIT "B"

COPY OF RESOLUTION NO. 9843

OF THE CITY COUNCIL OF THE CITY OF ORANGE

RESOLUTION NO. 9843

**A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF ORANGE AMENDING
CONDITIONAL USE PERMIT 2378-01, 2379-01
AND 2380-01; MAJOR SITE PLAN REVIEW
NOS. 106-99, 107-99 AND 108-99.**

WHEREAS, on October 10, 2001, the City Council adopted resolutions approving the following conditional use permits, major site plan reviews:

1. The Chapman Site consisting of 132,000 square feet of office space and a 137-room hotel (Resolution No. 9519);
2. City Tower Two Site consisting of 465,000 square feet of office space and eight-level parking structure (Resolution No. 9520);
3. 605 Building Site consisting of 200,000 square feet of office space and a five-level parking structure (Resolution No. 9521);
4. City Plaza Two Site consisting of 136,000 square feet of office building and a six-level parking structure (Resolution No. 9522); and

WHEREAS, the foregoing four projects are hereafter referred to as the EOP Projects; and

WHEREAS, the City Council considered and approved Final Environmental Impact Report No. 1612-01 (hereafter, the FEIR) which analyzed the environmental impacts of the EOP Projects; and

WHEREAS, the City commissioned the West Orange Circulation Study (hereafter, WOC Study) to analyze the traffic impacts of the EOP Projects, expansion of The Block at Orange and expansion of UCI Medical Center; and

WHEREAS, the WOC Study identified approximately \$3.5 million in traffic improvements and assigned fair share costs of such improvements to the following projects: (1) UCI Medical Center expansion, 32%; (2) EOP Projects 38% (identified in the WOC Study as Spieker Office Properties); and (3) The Block at Orange expansion, 30%; and

WHEREAS, as a result of the WOC Study the FEIR, as well as Resolution Nos. 9519-9522 require the EOP Projects as a mitigation measure to pay 38% of the cost of the traffic improvements identified in the WOC Study as its fair share contribution (hereafter WOC Traffic Improvements); and

WHEREAS, Resolutions Nos. 9519-9522 also require the EOP Projects to fully fund three improvements identified in conditions nos. 32, 34 and 35 of such resolutions and pursuant to condition no. 33, to pay a fair share of the cost of a bridge

widening on Orangewood Avenue near its intersection with State Route 57 (hereafter conditions 32-35 are referred to as, Traffic Improvement Conditions); and

WHEREAS, on January 19, 2004, the Planning Commission adopted Resolution No. PC 04-04 approving a new development on the Chapman Site which includes, but is not limited to, 58,260 square feet of commercial space and a fast food restaurant (hereafter, Best Buy Project) which would replace the Chapman Site component (City Council Resolution 9519) of the EOP Projects; and

WHEREAS, CA-The City (Chapman) Limited Partnership is in escrow to sell the Chapman Site to City Town Center, L.P., for development of the Best Buy Project; and

WHEREAS, EOP-The City, L.L.C., has requested that the City proportionally reduce the fair share cost of the WOC Traffic Improvements and Traffic Improvement Conditions to reflect the fact that the Chapman Site is no longer a component of the EOP Projects; and

WHEREAS, City staff has determined that such a reduction is appropriate and will fairly reflect the traffic impacts caused by the EOP Projects, exclusive of the Chapman Site (hereafter, the Remaining EOP Projects).

NOW, THEREFORE, BE IT RESOLVED THAT THE CITY COUNCIL OF THE CITY OF ORANGE FINDS AND DETERMINES as follows:

1. The Remaining EOP Projects shall not bear the costs of the Chapman Site's fair share of the WOC Traffic Improvements, as originally identified in the FEIR and the WOC Study. The fair shares of the EOP Projects for the WOC Traffic Improvements, as identified in the FEIR and WOC Study are reflected in the attached **Exhibit A**.
2. The Remaining EOP Projects shall not bear the costs of the Chapman Site's fair share of the Traffic Improvement Conditions as identified in the FEIR. The fair shares of the EOP Projects for the Traffic Improvement Conditions, as identified in the FEIR are reflected in the attached Exhibit A.
3. This Resolution shall only become effective upon City Town Center, L.P., becoming the owner of the Chapman Site.

ADOPTED this 9th day of March, 2004.

**ORIGINAL SIGNED BY
MARK A. MURPHY**

Mark A. Murphy, Mayor, City of Orange

ATTEST:

**ORIGINAL SIGNED BY
MARY E. MURPHY**

Mary E. Murphy, City Clerk, City of Orange

I, MARY E. MURPHY, City Clerk of the City of Orange, California, do hereby certify that the foregoing Resolution was duly and regularly adopted by the City Council of the City of Orange at a regular meeting thereof held on the 9th day of March, 2004, by the following vote:

AYES:	COUNCILMEMBERS: Ambriz, Alvarez, Murphy, Coontz
NOES:	COUNCILMEMBERS: None
ABSENT:	COUNCILMEMBERS: Cavecche
ABSTAIN:	COUNCILMEMBERS: None

**ORIGINAL SIGNED BY
MARY E. MURPHY**

Mary E. Murphy, City Clerk, City of Orange

EXHIBIT "A"

	Intersection Identified in the WOC Study ¹	Chapman Site ²	City Tower Two	City Plaza 2 Share	605 Bldg. Share	EOP Total
	1 State College & Katella	0%	1%	1%	0%	2%
	3 SR-57 NB Ramps & Katella	0%	1%	1%	0%	2%
	4 State College & Gene Autry Way	0%	0%	0%	0%	0%
	5 State College & Orangewood	0%	2%	1%	1%	4%
	6 SR-57 SB Ramps & Orangewood	1%	3%	2%	1%	7%
→	10 Haster & Chapman	6%	10%	8%	5%	29%
→	11 Lewis & Chapman	15%	22%	24%	14%	75%
→	13 The City & Chapman	8%	19%	4%	2%	33%
→	14 I-5 SB Ramp on-Ramp & Chapman	5%	16%	2%	1%	
→	19 The City Dr. & The City Way	2%	10%	2%	1%	15%
→	23 Haster & Lampson	4%	7%	14%	8%	33%
→	27 The City Dr. & SR-22 EB Ramps	1%	9%	4%	2%	
→	29 Haster & Garden Grove Blvd.	1%	2%	2%	1%	6%
→	30 Fairview & Garden Grove Blvd.	1%	3%	6%	3%	13%
→	31 Lewis & Garden Grove Blvd.	1%	3%	15%	9%	28%
→	32 The City Dr. & Garden Grove Blvd.	1%	7%	5%	3%	16%
	34 Howell & Katella	2%	0%	0%	0%	2%

Traffic Improvement Conditions ³	Intersection	Chapman Site	City Tower	City Plaza	605	EOP Total
32	The City Drive/Garden Grove	10%	90%			100%
33	SR-57/Orangewood Ave.(Bridge Widening)	14%	47%	25%	14%	100%
34	Haster St./Chapman Ave.	21%	36%	27%	16%	100%
35	Lewis St./Garden Grove Blvd.	5%	13%	52%	30%	100%

→ = ¹ The shaded intersections are identified in the FEIR and WOC Study and are the only intersections requiring traffic improvements and a fair share contribution.
² Referred to as the "North Parcel" in the FEIR tables.
³ Conditions are those referenced in City Council Resolutions 9519-9522.

EXHIBIT "C"

**LEGAL DESCRIPTION
CITY TOWER TWO SITE**

Parcel 2 of Parcel Map No. 81-769 recorded in Book 172, Pages 40-42 of Parcel Maps, in the Office of the County Recorder of Orange County, California.

EXHIBIT "D"

PUBLIC BENEFIT FEES

In the event that Developer elects, in accordance with the terms and upon the conditions set forth in Section “**12. Term of Agreement**” of this Agreement, to extend the term of this Agreement, then Developer shall pay the following Public Benefit Fees in the amounts and at the times hereinafter described:

1. Within forty-five (45) days of the mutual execution of this Agreement by Developer and the City, Developer shall pay to the City the sum of \$50,000 (such amount being the “**First Public Benefit Fee**”).

2. If Developer elects, in its sole and absolute discretion, to extend the term of this Agreement beyond the Initial Term, then Developer shall pay to the City the sum of \$50,000 (such amount being the “**Second Public Benefit Fee**”) no later than fifteen (15) days prior to the expiration of the Initial Term.

3. If Developer elects, in its sole and absolute discretion, to extend the term of this Agreement beyond the First Automatic Renewal Term, then Developer shall pay to the City the sum of \$100,000 (such amount being the “**Third Public Benefit Fee**”) no later than fifteen (15) days prior to the expiration of the First Automatic Renewal Term.

For the avoidance of doubt, Developer’s election to extend the term of this Agreement shall be in Developer’s sole and absolute discretion, and the City’s sole remedy for Developer’s failure to pay any portion of the Public Benefit Fee within the term periods set forth above shall be to terminate this Agreement.

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Exhibits

Exhibit "A"	Legal Description of the 605 Building Site
Exhibit "B"	Resolution No. 9843
Exhibit "C"	Legal Description of the City Tower Two Site
Exhibit "D"	Public Benefit Fees

CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken April 2, 2015 **Regular Meeting of the CalOptima Board of Directors**

Report Item

VIII. D. Consider Interim Office Space Leasing Options and Adjustment to Current Limitation on Telework Participation to Reflect Increasing Staffing Levels

Contact

Bill Jones, Chief Operating Officer, (714) 246-8400

Recommended Actions

1. Authorize the Chief Executive Officer, with the assistance of legal counsel, to identify and enter into negotiations for approximately 40,000 square feet of office space for a term not to exceed five years and at a monthly cost per square foot not to exceed \$2.75; staff will return to the Board for approval of the proposed transaction; and
2. Authorize the Chief Executive Officer to expand the Telework program from 180 staff to no more than 30% of the total budgeted headcount at any given time (current total employee count is approximately 900).

Background

CalOptima has experienced unprecedented growth over the past two years, and is expected to continue to grow with the expansion of managed care in both Medicaid and Medicare programs, the implementation of the Coordinated Care Initiative, the establishment of a Community Network, and the increased regulatory requirements such as the Model of Care. These programs have resulted in a corresponding increase in CalOptima's staffing levels that have grown from approximately 400 to 900 staff in the past year and a half.

Looking forward, CalOptima management expects headcount to grow to approximately 1,100 staff by the beginning of Fiscal Year (FY) 2015-2016, with continuing modest growth in the months following, leveling out to approximately 1,300 staff by the beginning of FY 2017-2018. In addition, best practice to ensure adequate workspace planning recommends planning for a 10% capacity adjustment to accommodate this required flexibility. By applying this factor to the projected staffing levels, CalOptima will need approximately 1,400 work spaces by the end of FY 2017-2018.

CalOptima's current policy for teleworking was most recently considered by the Board on June 6, 2013, at which time a cap of 180 teleworker slots was approved. At this time, all of these slots are being utilized.

Discussion

Current building capacity, including space currently occupied by our tenants, is approximately 1,000 work spaces. The two (2) tenants in the building occupy half of the second floor, the full third floor and half of the tenth floor, totaling approximately 200 work spaces. This leaves CalOptima with approximately 800 of the 1,000 work spaces available in the building. Management has approached both tenants about their willingness to end their leases early. Only one has shown interest although

nothing has been finalized to date. Should the tenant decide to vacate, it will take approximately six months to build out the floor(s) for occupancy by CalOptima.

In the short term, defined as current to three years out, CalOptima will need to secure additional space to accommodate the immediate growth needs in the coming months. To date, management has been creative in handling the growth thus far by leveraging the 180 telework positions under the Board-approved CalOptima Policy GA.8044: Telework Program. In addition, management has repurposed conference rooms, common work spaces and other areas to maximize capacity on each floor.

All of these factors considered, CalOptima will need approximately 40,000 square feet of additional space in the short term to accommodate the growth discussed above. There are several options available to CalOptima in order to secure the additional space:

1. Expand the Telework program to partially accommodate the additional need. This action alone is not a viable short term solution because teleworking is not available to all program areas, including areas in which there will be significant staff growth (e.g., Case Management, Customer Service).
2. Secure a long term lease. This is a viable option, but will require CalOptima to sign a 7 to 10 year commitment, and may require more lead time.
3. Secure a short term or sub-lease. This, along with an incremental increase in the Telework program, is management's recommended option due to the shorter duration of the lease (i.e., 3 to 5 years) and the flexibility for quick occupancy, particularly if the selected site is already furnished.

CalOptima has secured real estate services from Cushman and Wakefield pursuant to the Board-approved CalOptima Policy GA.5002: Purchasing Policy. Cushman and Wakefield has provided eleven (11) different lease alternatives in the surrounding area for CalOptima's consideration. Management will continue to vet the alternatives, and evaluate price and terms within Board approved parameters, and return to the Board for final approval.

Fiscal Impact

Staff estimates that the cost of the leased space will range between \$2.20 and \$2.75 per square foot, or approximately \$1 million to \$1.32 million annually. Also, staff anticipates additional expenses associated with preparing and maintaining the newly leased space. These expenses were not included under this fiscal impact.

Rationale for Recommendation

Management believes that by securing a short term lease, CalOptima will obtain the additional space required to address the immediate growth needs to effectively support our programs at a cost that will be reasonable. By securing a space that provides the opportunity for quick occupancy, CalOptima could be ready to occupy the newly leased space within a three to six month timeframe. Selection of

a short term lease would also provide additional time for management and the Board to consider longer term options. In addition to adding space, moving the Telework program cap to 30% of budgeted headcount provides management with the flexibility to manage additional growth while minimizing the need for additional space. In addition, expanding teleworking will provide CalOptima with additional leverage in recruiting hard to fill positions such as clinical staff, IT specialists, etc., that may not be located in the immediate area or willing to relocate to Orange County.

Concurrence

Gary Crockett, Chief Counsel

Attachments

None

/s/ Michael Schrader
Authorized Signature

3/27/2015
Date

CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken August 6, 2015 **Regular Meeting of the CalOptima Board of Directors**

Report Item

VIII. K. Consider Authorizing Execution of Lease Agreement for Office Space, Expenditures on Tenant Improvements and Other Space Planning Options

Contact

Bill Jones, Chief Operating Officer, (714) 246-8796

Recommended Action

Authorize the Chief Executive Officer, with the assistance of Legal Counsel, to execute a 66 month lease agreement with 333 City Tower located at 333 W City Blvd., Orange, CA, valued at \$6,621,867, and authorize a supplemental budget of \$5,464,099 to cover the cost of building out 41,480 square feet of leased space.

Background

At the April 2, 2015, CalOptima Board of Directors meeting, staff presented options for the CalOptima Facilities strategy intended to accommodate the growth in employees that is expected during the next 5 years. There were two options presented:

- Option 1 – Lease longer term for term of 5 years or more; or
- Option 2 – Sub lease space that is already furnished for a shorter term (2-3 years) and purchase or build additional space.

The Board directed staff to evaluate leases for a term of 3 to 5 years, and conduct an evaluation of space needs near the end of the lease term. Staff was to evaluate lease alternatives, and return to the Board with a lease recommendation for 40,000 square feet at a cost of no more than \$2.75 per square foot for a length of 5 years.

One related issue is that CalOptima recently received an extension of the development agreement with the City of Orange which allows for the development of a parking structure and an addition office building on the 505 City Parkway site. The agreement extension expires in 2019. Based on the development activity in the area along with considering the City's master plan, it is uncertain whether CalOptima could be successful in obtaining an additional extension once the current development agreement expires. This is a significant consideration in the build/buy option not only for enabling CalOptima to build additional space, but also in consideration of a purchase option that would result in CalOptima selling the current building with the development rights in place.

Discussion

Current usable space at 505 City Parkway West is 144,150 square feet and can accommodate 853 work stations, including cubicles and offices. As of July 2015, CalOptima currently has 966 employees with 180 teleworkers and 51 temporary staff. CalOptima anticipates having 1,284 full-time equivalents (FTEs) by the end of Fiscal Year (FY) 2015-16 with the building capacity growing from 853 to 1,026 work spaces by assuming space currently occupied by two (2) tenants, specifically:

- Addition of 23 work spaces from Beacon Health who will vacate their space during July 2015. This space will be ready for occupancy by CalOptima employees in September 2015; and
- Addition of 150 work spaces from tenant AmeriSourceBergen who will vacate their space in November 2015. This space will be ready for occupancy in April 2016.

CalOptima has been experiencing unprecedented growth the past two years. We expect the growth rate to level off in the coming months for Medi-Cal and within the next two years for OneCare. Even with that stabilization, CalOptima expects to grow by approximately 3% annually through 2018.

We are also entering a healthcare environment where the state and federal governments are moving more towards managed care and the regulatory requirements are becoming more intensive as new programs are introduced. We have seen, and will continue to see, continued growth in our Medical Management area due to the administration of the Model of Care, Utilization and Case Management of our CalOptima Direct Network, the execution of our Long Term Care strategy and other drivers. CalOptima's budget and budget assumptions do not include the fiscal impact of the implementation of 1115 waiver programs, the integration of the California Children Services (CCS) program, the implementation of Health Homes and other programs that are possible and will have a significant impact on CalOptima and our staffing.

While the current capacity of the 505 building (including space that will be recovered from departing tenants) of 1,026 will be close to the capacity needed at the end of FY 2015-16, there are several other elements to consider:

- We assume CalOptima will have 30% of total headcount allocation for telework. This may not be realistic depending on the type of work. The work may require staff to be on site;
- The majority of the space recovered from the tenants will not become available until the end of the fiscal year. Most of the headcount required during FY 2015-16 will be hired during the first three to four months of the year; and
- We will continue to grow beyond 2016 in terms of enrollment and headcount. We will not grow at the dramatic rates we have seen during the past two (2) years, but we will continue to grow at about 3-4% per year.

Although the early indication is that we will be under our original projections for OneCare Connect enrollment, we anticipate that under our worst case scenario, we will have 25,000 OneCare Connect members by the end of FY 2015-16. In addition, our staffing was adjusted to manage to a 7.5% administrative cost ratio.

Lastly, an important item to consider is the lease environment. We have seen a price per square foot increase of 13.5% from 2014 to 2015 in Orange County. In addition, space continues to be leased and vacancy rates are declining. In Central Orange County, vacancy rates are now under 10%, and there has been over 600,000 square feet of space taken during the first 6 months of calendar year 2015.

Relative to the build vs. lease analysis, as presented at the April Board meeting, the crossover point in our lease vs. buy analysis was 4 years. This supports the option to sub-lease on a shorter term basis

and build or buy the additional capacity necessary for the long term. The following provides an estimate for Option 2 for the Board's consideration:

- Execute a 36 month sub-lease agreement with 1900 S. State College, Anaheim, CA, valued at \$3,411,147, and a supplemental budget of \$5,464,099 to cover the cost of building out 45,121 square feet of leased space; and
- Execute the CalOptima development agreement to build an adjacent building of approximately 250,000 square feet or purchase an additional building to accommodate space needs.

Staff is aware of concerns related to using funds to purchase real estate. It is recognized that there would be more up-front cost in a purchase or build option vs. a lease. However, when comparing the lease costs against the cost of ownership, the option to purchase/build is more cost effective in the long term. More specifically, the current 5 year lease option presented will cost approximately \$12 million, and will result in significant sunk costs and no equity for the agency at the end of the 5.5 year term in addition to being exposed to the risk that lease prices will be higher at renewal. The preliminary estimate for construction of a building of 250,000 square feet is approximately \$26 million.

The proposed lease does not include an opt-out or early termination provision. In fact, none of the four finalists provided that option without significant cost increases in the lease. Should CalOptima decide that an opt-out or early termination option is required, the lease costs outlined above would increase considerably. In order to mitigate the risk of not having an opt-out clause, Staff would pursue, with Board approval, a sub-lease arrangement to offset the cost of any unused space. The proposed lease also does not include any extension options.

Fiscal Impact

The total lease cost for the 66 month duration of the proposed lease is \$6,621,867 which equates to \$2.42 per square foot. The Fiscal Year (FY) 2015-16 CalOptima Operating Budget approved by the Board on June 4, 2015, included \$1,320,000 of the amount. The proposed leased space consists of two floors and the total budgetary impact represents an estimated increase to the FY 2015-16 CalOptima Capital Budget of \$5,464,099 to furnish and establish Information Services connectivity. This brings the total cost for the leased space to \$12,085,967 over the 66 month period, excluding Common Area Maintenance and Insurance estimated at \$0.10 per square foot. These figures also exclude property taxes.

Rationale for Recommendation

Conservative estimates have CalOptima outgrowing our building capacity by the end of FY 2015-16 with no room for growth beyond that. This does not include any of the programs that could significantly impact CalOptima staffing. Examples include the 1115 waiver, the implementation of Health Homes and the integration of CCS. The increasing intensity of government programs along with the growth in our CalOptima Community Network are the main short term drivers along with implementation and growth of OneCare Connect. Relative to timing, the lease environment is becoming more competitive with a shortage of available space and prices increasing as a result. Specifically, large blocks of space are down to a minimum. If we do not act now, there is a likelihood

CalOptima Board Action Agenda Referral
Consider Authorizing Execution of Lease Agreement for Office
Space, Expenditures on Tenant Improvements and Other Space
Planning Options
Page 4

that needed space will not be available in close proximity to the 505 building and we will have to look in South County to accommodate our growth needs at rates that will be much higher than the current proposal.

Concurrence

Gary Crockett, Chief Counsel

Attachments

None

/s/ Michael Schrader
Authorized Signature

07/31/2015
Date

CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken March 3, 2016 **Regular Meeting of the CalOptima Board of Directors**

Report Item

13. Authorize Staff to Negotiate a Lease Agreement for Office Space, Expend Funds on Furnishings and Evaluate and Pursue Other Space Planning Options

Contact

Chet Uma, Chief Financial Officer, (714) 246-8400

Recommended Actions

1. Authorize the Chief Executive Officer, with the assistance of legal counsel, to negotiate and execute a lease of up to 66 months for up to 20,000 square feet of office space at a price per square foot not to exceed \$2.55 per month with City Plaza located at 1 City Boulevard West, Orange, California; and
2. Authorize a supplemental budget of up to \$2.8 million for expenditures for associated furnishings.

Background

At the April 2, 2015, CalOptima Board of Directors meeting, staff presented space planning options on the CalOptima Facilities strategy to accommodate the employee growth that is anticipated over the next five years. Along with expansion of the Telework program, the two options for additional office space presented were:

- Option 1 – Lease longer term for term of five years or more; or
- Option 2 – Sublease space that is already furnished for a shorter term of two to three years and purchase or build additional space.

At that meeting, the Board directed staff to evaluate leases for a term of three to five years, and conduct an evaluation of space needs near the end of the lease term. Staff was to evaluate lease alternatives, and return to the Board with a lease recommendation for 40,000 square feet at a cost of no more than \$2.75 per square foot for a length of five years.

In addition, CalOptima recently received an extension of the development agreement with the City of Orange that allows for the development of a parking structure and an addition office building on the 505 City Parkway site. The agreement currently expires on October 28, 2019. And while the agreement could potentially be extended further, no such commitment has been requested or received at this time.

Discussion

Current usable space at CalOptima's offices at 505 City Parkway West is 144,150 square feet which accommodates approximately 853 work stations, including cubicles and offices. As of December 2015, CalOptima has 1,007 employees, with 220 teleworkers and 49 temporary staff. CalOptima expects to have 1,209 full time equivalents (FTEs) by June 30, 2016, with the building's capacity growing from 853 to 1,042 work spaces as the build out of the second and third floors (recently vacated by a former tenant) is completed. This space should be ready to be occupied in May 2016.

CalOptima has been experiencing unprecedented growth during the past two years. Management projects the employee growth rate to flatten in the coming months for Medi-Cal and within the next two years for Medicare. Even with that stabilization, Management anticipates an annual employee growth rate of approximately 3% through 2018.

In addition, CalOptima is engaged in a healthcare environment where the state and federal governments are moving existing fee-for-service programs into managed care and increasing regulatory requirements as new programs are introduced. CalOptima has seen, and will continue to see, continued growth in our Medical Management area due to the administration of the Model of Care, utilization and case management of our CalOptima Community Network, execution of our Long Term Care strategy and other drivers. CalOptima's budget and budget assumptions do not include the impact of the implementation of the 1115 waiver programs, the integration of California Children Services (CCS) program, the implementation of Health Homes and other programs that will have a significant impact on CalOptima and our staffing.

While the current capacity of the 505 building, including space that will be gained from departing tenants, of 1,042 will be close to the capacity needed at the end of Fiscal Year 2015-16, staff assumes CalOptima will be able to use all of the 30% of total headcount allocation for telework. However, this may not be realistic considering some of the work may not be suited for telework. As such, the work may require staff to be on site.

Lastly, an important item to consider is the lease environment in Orange County. The price per square foot has increased by as much as 13.5% from 2014 to 2015 in certain portions of Orange County. In addition, the demand for space remains relatively strong as space continues to be leased and vacancy rates decline. In Central Orange County, vacancy rates are now under 10% and there has been over 600,000 square feet of space taken during the first six (6) months of calendar year 2015.

Based on these factors, staff has engaged in an RFP process to identify potential additional leased space. Based on this process, management recommends pursuing a lease agreement for one floor at the 1 City Boulevard West building.

The proposed lease does not include an opt-out or early termination provision. In fact, none of the four finalists provided that option without significant cost increases in the lease. In order to mitigate the risk of not having an opt-out clause, in the event that the space was no longer needed by CalOptima, staff would pursue, with Board approval, a sub-lease arrangement to offset the cost of any unused space. The proposed lease structure would include an extension option of two additional terms of sixty (60) months.

CalOptima Board Action Agenda Referral
Authorize Staff to Negotiate a Lease Agreement for Office Space,
Expend Funds on Furnishing Costs and Evaluate and
Pursue Other Space Planning Options
Page 3

Fiscal Impact

The total lease cost for recommended action for a 66 month lease agreement with City Plaza at \$2.55 per square foot per month is approximately \$3,240,700. The recommended action upon approval will be included in the CalOptima FY 2016-17 Operating Budget.

The recommended action to authorize expenditures for furnishing costs to one floor of leased space is an unbudgeted item. Staff estimates the recommended action would increase the CalOptima FY 2015-16 Capital Budget by \$2,732,049 in order to furnish and establish Information Services connectivity.

In total, the recommended actions would cost \$5,972,749 over a period of 66 months. This estimate excludes increases to reflect property taxes, insurance, and Common Area Maintenance estimated at \$0.10 per square foot or approximately \$127,215 over 66 months. Cost estimates are based on the un-negotiated proposal received from City Plaza.

Rationale for Recommendation

Conservative estimates have CalOptima outgrowing our building capacity by the end of FY 2015-2016 with no room for growth beyond that. This does not include any of the programs that could significantly impact CalOptima staffing. Examples include the 1115 waiver, the implementation of Health Homes, Behavioral Health, Long Term Care, Whole Person Care and the integration of CCS. The increasing intensity of government programs, growth in our CalOptima Community Network, and implementation and growth of OneCare Connect are the main short term drivers. Relative to timing, the lease environment is becoming more competitive with a shortage of available space and prices increasing as a result. Specifically, large blocks of space are down to a minimum. If we do not act now, there is a likelihood that needed space will not be available in close proximity to the 505 building, and we will have to look in South County to accommodate our growth needs at rates that will be much higher than the current proposal.

Concurrence

Gary Crockett, Chief Counsel
Board of Directors' Finance and Audit Committee

Attachments

None

/s/ Michael Schrader
Authorized Signature

02/26/2016
Date



CalOptima
Better. Together.

Space Planning

Board of Directors Meeting

March 3, 2016

Chet Uma, Chief Financial Officer

Ken Wong, Director, Budget and Procurement

Background

- 4/2/15 Board meeting: Staff presentation on space planning options
 - Option 1: Lease longer term for 5 years or more
 - Option 2: Sub lease space for 2 to 3 years and purchase or build additional space
 - CalOptima's development agreement with City of Orange expires 10/28/19
- Board action
 - Evaluate leases for term of 3 to 5 years
 - Conduct evaluation of space needs at end of lease term
 - Return with recommendation for 40,000 square feet at a cost of no more than \$2.75 per square foot for a term of 5 years

Current Staffing Levels

Staff FTEs (excluding PACE)	Actual (Jan 2016)	Budget (FY 2015-16)
<u>On site</u>		
Filled Seat	692.0	820.6
Temporary Help	<u>49.0</u>	<u>40.0</u>
Subtotal	<u>741.0</u>	<u>860.6</u>
<u>Off site</u>		
Teleworker	222.0	330.0
Community Worker	19.0	19.0
Shared Space	24.0	--
Total	1,006.0	1,209.6

Available Space

- 505 City Parkway West: 144,150 square feet (853 work stations)

	Actual (Jan 2016)	Budget (FY 2015-16)
Total Space Available	853.0	853.0
Total Occupied Space		
Filled Seats and Temporary Help	(741.0)	(860.6)
Additional Space Needs		
Pending Request to Fills	<u>(110.0)</u>	--
Subtotal	<u>(851.0)</u>	<u>(860.6)</u>
Total Space Surplus (Shortfall)	2.0	(7.6)
New Construction: 2 nd & 3 rd Floors	189.0	189.0
New Space: City Plaza	<u>126.0</u>	<u>126.0</u>
Net Space Surplus (Shortfall)	317.0	307.4
Expected Employee Count for New Programs	<u>(165)</u>	<u>(165)</u>
Net Space Surplus (Shortfall)	152	142.4

Why Do We Need Additional Space?

- Assumptions

- 3% annual employee growth rate through 2018
- Allocation of 30% of total headcount for telework
- Continued shift from fee-for-service to managed care
- Increased regulatory requirements
- Growth in Medical Management (i.e., Model of Care, Community Network)

New Programs	Date	Expected Employee Count
Long Term Care	Now	20
Behavioral Health Treatment	July 2016	45
California Children's Services (CCS)	July 2017	100
Health Homes	July 2017	TBD
Section 1115 Waiver: Whole Person Care Pilot	May 2016: Applications due	TBD
Total		165

Why Do We Need Additional Space? (cont.)

- Orange County Lease Environment
 - As much as 13.5% increase in price per square foot from 2014 to 2016
 - Strong demand for leased space
 - <10% vacancy rates in Central Orange County
 - >600,000 square feet of space leased during January through June 2015
- Staff performed RFP to identify potential additional space
 - Resulted in today's recommendation to pursue lease agreement for one floor at City Plaza
 - If space is no longer needed, Staff will pursue, with Board approval, a sub-lease arrangement to offset the cost of any unused space

Recommended Actions

- 66 month lease agreement with City Plaza
 - Up to 20,000 square feet of leased space to create capacity for additional 126 FTEs
 - Propose extension option of two additional terms of 60 months**
 - Tentative start date: July 2016
 - Date available: April 2016
 - Annual Cost: \$612,360

	Total Cost	Monthly Cost
City Plaza: 66 month lease agreement (\$2.55 per square foot)	\$3,240,700	\$49,102
Common area maintenance, insurance, property taxes, utilities	\$127,215	\$1,928
Total (\$2.65 per square foot)	\$3,367,915	\$51,030

- Costs are based on the un-negotiated proposal received from City Plaza
- **City Plaza proposal included 1 additional term of 60 months

Recommended Actions (cont.)

- Furnishing costs to leased space:

Category	Total Cost	% of Total
Information Technology	\$1,468,372	54%
Furniture	\$748,000	27%
Network Cabling	\$112,000	4%
Moving Expenses	\$55,000	2%
Project Management	\$35,000	1%
Security	\$30,000	1%
Audio Visual	\$22,500	1%
Shelving, Copiers, Signage	\$15,750	1%
Incidentals	\$31,200	1%
Contingency	\$214,227	8%
Total	\$2,732,049	100%

Recap and Conclusion

- Board authorized Management to procure leased space
 - Up to 40,000 square feet at a cost of no more than \$2.75 per square foot
- 2/18/16 meeting: FAC approved recommended actions

	333 City Tower	City Plaza*
Lease cost	\$6,621,867	\$3,240,700
Furnishing costs	\$5,464,099	\$2,732,049
Common area maintenance, insurance, property taxes, utilities, parking costs	\$432,123	\$127,215
Total	\$12,518,089	\$6,099,964
Total square feet	41,480	19,275
Lease cost per square foot	\$2.58	\$2.65
Lease duration	66 months	66 months
Board meeting presentation	8/6/15	3/3/16

* City Plaza's un-negotiated proposal

CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken August 4, 2016 Regular Meeting of the CalOptima Board of Directors

Report Item

35. Consider Authorizing Contract with a Real Estate Consultant to Assist in the Evaluation of Options Related to CalOptima's Development Rights and Approve Budget Allocation

Contact

Chet Uma, Chief Financial Officer, (714) 246-8400

Recommended Actions

1. Authorize the Chief Executive Officer (CEO) to enter into a contract with a real estate consultant to assist in providing market research, evaluating development feasibility and financial feasibility, and recommend options based on CalOptima's development rights in accordance with the Board-approved procurement process; and
2. Approve allocation of \$22,602 from existing reserves to fund the contract with the selected real estate consultant through June 30, 2017.

Background

In January 2011, CalOptima purchased land and an office building located at 505 City Parkway West, Orange, California, and assumed development rights for the land parcel pursuant to a 2004 Development Agreement with the City of Orange. The development rights include the possible construction of an office tower up to ten stories and 200,000 square feet of office uses, and a maximum five-level, 1,528 space parking structure which was previously approved in 2001. The second office tower and parking structure are referred to as the 605 Building Site. The expiration date for the initial 10 year Development Agreement was October 28, 2014.

At the October 2, 2014, meeting, the CalOptima Board of Directors (Board) authorized the CEO, with the assistance of legal counsel, to enter into an Amended and Restated development agreement with the City of Orange to extend CalOptima's development rights for up to six years. The extension was approved by the City of Orange Planning Commission on September 15, 2014, and the Orange City Council on November 25, 2014. The Amended and Restated Development Agreement requires CalOptima to make public benefit fee payments to the City of Orange in order to extend the termination date by two year increments. The Board approved funding of \$200,000 from existing reserves to make the public benefit fee payments. The following table provides additional information on the public benefit fees.

Payment Amount	Due Date	Agreement Extension Period
First Payment: \$50,000	Within forty-five (45) days of mutual execution of the Agreement	Agreement remains in effect for a period of two (2) years from the original termination date
Second Payment: \$50,000	No later than fifteen (15) days prior to the expiration of the Initial Term	Extends Agreement for an additional two (2) years from the expiration of the Initial Term

Payment Amount	Due Date	Agreement Extension Period
Final Payment: \$100,000	No later than fifteen (15) days prior to the expiration of the First Automatic Renewal Term	Extends Agreement for an additional two (2) years from the expiration of the First Automatic Renewal Term

Assuming all payments are made on time, the end date for the Amended and Restated Development Agreement is October 28, 2020.

Discussion

CalOptima's Development Agreement represents a significant value to CalOptima. In order to understand the best strategic use of these rights, CalOptima requires assistance of a real estate consultant who has expertise and specializes in the area of development rights. The real estate consultant will perform market research, explore options for the development rights, evaluate development feasibility and financial feasibility, and provide recommendations to CalOptima. The proposed evaluation will take into consideration options of new leased space for CalOptima, costs, compliance with internal policies and procedures, requirements of Public Works projects, and possible public-private partnerships.

In light of forthcoming development projects around the 505 City Parkway West building and the number of years remaining under the current Development Agreement, Management believes it is prudent to obtain reliable information expeditiously in order to make a well-informed decision. The CalOptima Fiscal Year (FY) 2016-17 Operating Budget included \$7,398 under Professional Fees for a real estate consultant. Management proposes to make an allocation of \$22,602 from existing reserves to fund the remaining expenses related to the contract with the real estate consultant through June 30, 2017.

Fiscal Impact

The recommended action to authorize the CEO to contract with a real estate consultant to assist in evaluation of options related to CalOptima's development rights will not exceed \$30,000 through June 30, 2017. An allocation of \$22,602 from existing reserves will fund this action.

Rationale for Recommendation

The retention of a real estate consultant to evaluate options related to CalOptima's development rights will provide reliable information to the Board and Management to make informed decisions on long term space planning.

Concurrence

Gary Crockett, Chief Counsel

CalOptima Board Action Agenda Referral
Consider Authorizing Contract with a Real Estate Consultant to
Assist in the Evaluation of Options Related to CalOptima's
Development Rights and Approve Budget Allocation
Page 3

Attachment

Amended and Restated Development Agreement between the City of Orange and Orange County
Health Authority dated December 10, 2014

/s/ Michael Schrader
Authorized Signature

07/29/2016
Date

Ag. 4545.00

EXEMPT FROM RECORDER'S FEES
Pursuant to Government Code §§ 6103 and 27383

Recording requested by and when recorded return to:

City Clerk
City of Orange
300 East Chapman Avenue
Orange, California 92866

Recorded in Official Records, Orange County
Hugh Nguyen, Clerk-Recorder



NO FEE

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(SPACE ABOVE FOR RECORDER'S USE)

CONFORMED COPY

**AMENDED AND RESTATED
DEVELOPMENT AGREEMENT**

Dated as of *Dec. 10*, 2014

By and Between

**City of Orange,
a municipal corporation**

and

**Orange County Health Authority,
a public agency doing business as CalOptima**

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Exhibits

- Exhibit "A" Legal Description of the 605 Building Site
- Exhibit "B" Resolution No. 9843
- Exhibit "C" Legal Description of the City Tower Two Site
- Exhibit "D" Public Benefit Fees

Ag. 4545.0C

EXEMPT FROM RECORDER'S FEES
Pursuant to Government Code §§ 6103 and 27383

Recording requested by and when recorded return to:

City Clerk
City of Orange
300 East Chapman Avenue
Orange, California 92866

(SPACE ABOVE FOR RECORDER'S USE)

AMENDED AND RESTATED DEVELOPMENT AGREEMENT

This Amended and Restated Development Agreement (the "**Agreement**") is made in Orange County, California as of Dec. 10, 2014, by and between the CITY OF ORANGE, a municipal corporation (the "**City**") and ORANGE COUNTY HEALTH AUTHORITY, a public agency doing business as CalOptima ("**Developer**"). Together, the City and the Developer shall be referred to as the "**Parties**".

1. **Recitals.** This Agreement is made with respect to the following facts and for the following purposes, each of which is acknowledged as true and correct by the Parties:

(a) The City is authorized, pursuant to Government Code §§65864 through 65869.5 (the "**Development Agreement Statutes**") and Chapter 17.44 (Development Agreements) of the Orange Municipal Code to enter into binding agreements with persons or entities having legal or equitable interests in real property for the development of such property in order to establish certainty in the development process.

(b) Developer is the owner of certain real property located in the City and consisting of the parcel commonly referred to the "**605 Building Site**" (legally described on **Exhibit "A"**).

(c) References in this Agreement to the "**Project**" shall mean the 605 Building Site hereinabove described and the development project proposed for such property.

(d) Developer seeks to enhance the vitality of the City by developing additional office and commercial related uses.

(e) Pursuant to Government Code §65867.5 and Orange Municipal Code Section 17.44.100, the City Council finds that: (i) this Agreement and any Future Approvals of the Project implement the goals and policies of the City's General Plan, provide balanced and diversified land uses and impose appropriate standards and requirements with respect to land development and usage in order to maintain the overall quality of life and the environment within the City; (ii) this Agreement is in the best interests of and not in detriment to the public health, safety and general welfare of the residents of the City and the surrounding region; (iii) this

Agreement is compatible with the uses authorized in the zoning district and planning area in which the Project site is located; (iv) adopting this Agreement is consistent with the City's General Plan and constitutes a present exercise of the City's police power; and (v) this Agreement is being entered into pursuant to and in compliance with the requirements of Government Code §65867.

(f) Substantial public benefits (as required by Section 17.44.200 of the Orange Municipal Code) will be provided by Developer and the Project to the entire community. These substantial public benefits include, but are not limited to, the following:

(1) By and through its existence, the Project is and, at the completion of the Project, will continue to be, an enormous benefit and resource to the community;

(2) The Project will provide an expanded economic base for the City by generating substantial property tax revenue;

(3) The Project will provide temporary construction employment and permanent office-based jobs for a substantial number of workers;

(4) The Project, consisting of the 605 Building Site, will contribute traffic impact mitigation fees to the City pursuant to the West Orange Circulation Study ("WOCS Study"), which will partially fund the completion of traffic and circulation infrastructure in the WOCS Study area that will be needed to accommodate demand from future growth; and

(5) The Project will provide for additional sales/use taxes to the City, as provided in Section 7 hereof.

In exchange for these substantial public benefits, City intends to give Developer assurance that Developer can proceed with the development of the Project for the term and pursuant to the terms and the conditions of this Agreement and in accordance with the Applicable Rules (as hereinafter defined).

(g) The Developer has applied for and the City has approved this Agreement in order to create a beneficial project and a physical environment that will conform to and compliment the goals of the City, create a development project sensitive to human needs and values, facilitate efficient traffic circulation, and develop the Project.

(h) This Agreement will bind the City to the terms and obligations specified in this Agreement and will limit, to the degree specified in this Agreement and under the laws of the State of California, the future exercise of the City's ability to delay, postpone, preclude or regulate development on the Project, except as provided for herein.

(i) In accordance with the Development Agreement Statutes, this Agreement eliminates uncertainty in the planning process and provides for the orderly improvement of the Project. Further, this Agreement provides for appropriate further development of the Project over and above the improvements which currently exist on the Project and generally serves the public interest within the City and the surrounding region.

(j) CA-THE CITY LIMITED PARTNERSHIP (the “**Original Developer**”) first filed land use applications in 2001 to entitle four (4) separate development sites which together were to consist of one million one hundred fifty-seven thousand (1,157,000) square feet of office space and a one hundred thirty-seven (137) room hotel (collectively, the “**EOP Projects**”). Those land use applications included applications for a Conditional Use Permit(s) and Major Site Plan Review(s). In addition, the Original Developer filed for negotiations and approval of that certain Development Agreement, dated as of December 13, 2004, by and between the City of Orange and the Original Developer (the “**Original Development Agreement**”). The City processed the various applications and commissioned the preparation of the Final Environmental Impact Report (FEIR) 1612-01 for the Original Development Agreement and the 2001 land use applications (the “**Final EIR**”), which was certified in accordance with the California Environmental Quality Act (“**CEQA**”). On October 9, 2001, the City certified the Final EIR and approved the various applications for the entitlements for the EOP Projects including Resolution No. 9521 with respect to the 605 Building Site.

(1) The Final EIR evaluated the EOP Projects, all of which were located in the area within or adjacent to the former “**The Block at Orange**” which has been rebranded to “**The Outlets at Orange**.” A trip generation survey was conducted and the Final EIR determined that the EOP Projects, upon completion, would generate a total of thirteen thousand eight hundred seventy-six (13,876) average daily trips. The Final EIR designated separate average daily trip generation estimates for each of the EOP Projects based upon the estimated development square footage of each of the EOP Projects.

(2) As part of its approval of the EOP Projects, the City imposed various traffic mitigation conditions, including:

(A) a “fair share” allocation of the cost of certain traffic improvements identified in the WOCS Study (the “**WOCS Improvements**”);

(B) the obligation to pay one hundred percent (100%) of the cost of specific traffic improvements at three (3) designated intersections; and

(C) a “fair share” of the cost of widening the Orangewood Avenue bridge over the Santa Ana River.

The traffic improvements described in (B) and (C) are herein referred as the “**Traffic Improvement Conditions**”.

(3) The WOCS Study estimated the cost of the WOCS Improvements to be approximately Three Million Five Hundred Thousand Dollars (\$3,500,000.00) and assigned “fair share” costs for such improvements to the following projects:

(A) UCI Medical Center Expansion – thirty-two percent (32%);

(B) EOP Projects – thirty-eight percent (38%); and

(C) The Outlets at Orange Expansion – thirty percent (30%).

(4) On March 9, 2004, the City adopted Resolution No. 9843 in which the City determined that the "fair share" of the EOP Projects for the WOCS Improvements and the Traffic Improvement Conditions would be as set forth in Exhibit "A" to Resolution No. 9843. A copy of Resolution No. 9843 is attached hereto as **Exhibit "B"**.

(k) In 2004, in response to the Original Developer's application for the Original Development Agreement, the City felt that it would be helpful to provide the public with information updating and amplifying some of the points raised in the Final EIR as they pertain to the EOP Projects. Accordingly, and as provided in Section 15164 of the State California Environmental Quality Act Guidelines (the "**CEQA Guidelines**"), the City prepared an Addendum to the Final EIR (the "**Addendum**"). On August 16, 2004, the Planning Commission held a duly noticed public hearing on the Original Developer's application for the Original Development Agreement and the Addendum, which were approved by Resolution No. PC 33-04 and recommended to the City Council of the City approval. On September 14, 2004, the City Council held a duly noticed public hearing on the Original Developer's application for the Original Development Agreement and the Addendum, and adopted Resolution No. 9909, making certain findings under CEQA and determined that the Addendum is all that is necessary in connection with the Original Development Agreement and the approval thereof. Thereafter, at its regular meeting of September 14, 2004, the City Council adopted its Ordinance No. 19-04 approving the Original Development Agreement.

(l) In January 2006, the City and the Original Developer amended the Original Development Agreement by entering into that certain First Amendment to Development Agreement dated as of January 20, 2006, the original of which was recorded in the Official Records as Instrument No. 2006000051175 on January 24, 2006 (herein referred as the "**First Amendment**").

(m) In October 2006, the City and the Original Developer further amended the Original Development Agreement by entering into that certain Second Amendment to Development Agreement dated as of October 5, 2006, the original of which was recorded in the Official Records as Instrument No. 2006000698031 on October 17, 2006 (herein referred as the "**Second Amendment**").

(n) In January 2007, the City and the Original Developer entered into that certain Operating Memorandum dated as of January 22, 2007 (hereinafter referred as "**First Operating Memorandum**") as it relates to the amendment to certain covenants, conditions and restrictions governing the expansion of the Block at Orange (the "**Block Expansion**").

(o) In 2007, the Original Developer and Maguire Properties-City Plaza, LLC and Maguire Properties-City Parkway, LLC entered into that certain Assignment and Assumption Agreement dated April 23, 2007, the original of which was recorded in the Official Records as Instrument No. 2007000271600 on April 26, 2007 (herein referred as the "**Maguire Agreement**"). The terms of the Maguire Agreement transferred and assigned the development rights related to City Plaza Two Site and 605 Building Site (as defined in the Original Development Agreement) from the Original Developer to Maguire Properties-City Plaza, LLC and Maguire-City Parkway, LLC, respectively.

(p) In August 2008, Maguire Properties-City Plaza, LLC and HFOP City Plaza, LLC (“**HFOP**”) entered into that certain Partial Assignment and Assumption of Development Agreement dated August 26, 2008, the original of which was recorded in the Official Records as Instrument No. 2008000406579 on August 27, 2008 (herein referred as the “**HFOP Agreement**”). The terms of the HFOP Agreement transferred and assigned development rights related to City Plaza Two Site from Maguire Properties-City Plaza, LLC to HFOP.

(q) In May 2009, Maguire Properties-City Parkway, LLC and AB-City Parkway, LLC entered into that certain Partial Assignment and Assumption of Development Agreement dated May 27, 2009, the original of which was recorded in the Official Records as Instrument No. 2009000268530 on May 28, 2009 (herein referred as the “**AB Agreement**”). The terms of the AB Agreement transferred and assigned development rights related to 605 Building Site from Maguire Properties-City Parkway, LLC to AB-City Parkway, LLC.

(r) In January 2011, Developer and AB-City Parkway, LLC entered into that certain Partial Assignment and Assumption of Development Agreement dated January 7, 2011, the original of which was recorded in the Official Records as Instrument No.2011000013726 on January 7, 2011 (herein referred as the “**CalOptima Agreement**”). The terms of the CalOptima Agreement transferred and assigned development rights related to 605 Building Site from AB-City Parkway, LLC to Developer. The Original Development Agreement, as amended and assigned by the First Amendment, the Second Amendment, the First Operating Memorandum, the Maguire Agreement, the HFOP Agreement, the AB Agreement, and the CalOptima Agreement, is herein referred to as the “**Amended Development Agreement**”.

(s) The Developer represents to the City that, as of the date hereof, it is the owner of the Project, subject to encumbrances, easements, covenants, conditions, restrictions, and other matters of record.

(t) The Parties acknowledge and agree that the term of the Amended Development Agreement expires on October 28, 2014 (the “**Original Termination Date**”). Developer has requested, and the City has agreed, to extend the term of the Amended Development Agreement, subject to the terms hereof.

(u) In order to effectuate the extension of the term of the Amended Development Agreement, the Parties hereby agree to amend and restate in its entirety the Amended Agreement as set forth below.

2. **Definitions.** In this Agreement, unless the context otherwise requires:

(a) “**Applicable Rules**” means the development standards and restrictions set forth in Section 5 of this Agreement which shall govern the use and development of the Project and shall amend and supersede any conflicting or inconsistent provisions of zoning ordinances, regulations or other City requirements relating to development of property within the City.

(b) “**Development Agreement Statutes**” means Government Code §§ 65864 to 65869.5.

(c) **"Discretionary Actions" and "Discretionary Approvals"** are actions which require the exercise of judgment or a discretionary decision, and which contemplate and authorize the imposition of revisions or additional conditions, by the City, including any board, commission, or department of the City and any officer or employee of the City; as opposed to actions which in the process of approving or disapproving a permit or other entitlement merely requires the City, including any board, commission, or department of the City and any officer or employee of the City, to determine whether there has been compliance with applicable statutes, ordinances, regulations, or conditions of approval.

(d) **"Effective Date"** is the date the ordinance approving the Original Development Agreement became effective, which was October 28, 2004.

(e) **"Future Approvals"** means any action in implementation of development of the Project which requires Discretionary Approvals pursuant to the Applicable Rules, including, without limitation, parcel maps, tentative subdivision maps, development plan and site plan reviews, and conditional use permits. Upon approval of any of the Future Approvals, as they may be amended from time to time, they shall become part of the Applicable Rules, and Developer shall have a "vested right", as that term is defined under California law, in and to such Future Approvals by virtue of this Agreement.

(f) Other terms not specifically defined in this Agreement shall have the same meaning as set forth in Chapter 17.44 (Development Agreements) of the Orange Municipal Code, as the same existed on the Effective Date.

3. **Binding Effect.** This Agreement, and all of the terms and conditions of this Agreement shall, to the extent permitted by law, constitute covenants which shall run with the land comprising the Project for the benefit thereof, and the benefits and burdens of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective assigns, heirs, or other successors in interest.

4. **Negation of Agency.** The Parties acknowledge that, in entering into and performing under this Agreement, each is acting as an independent entity and not as an agent of the other in any respect. Nothing contained herein or in any document executed in connection herewith shall be construed as making the City and Developer joint venturers, partners, agents of the other, or employer/employee.

5. **Development Standards for the Project, Applicable Rules.** The development standards and restrictions set forth in this Section shall govern the use and development of the Project and shall constitute the Applicable Rules, except as otherwise provided herein, and shall amend and supersede any conflicting or inconsistent provisions of existing zoning ordinances, regulations or other City requirements relating to development of the Project and any subsequent changes to the Applicable Rules as specifically described in Section 5(c).

(a) The following ordinances and regulations shall be part of the Applicable Rules:

(1) The City's General Plan as it existed on the Effective Date;

(2) The City's Municipal Code relating to Development Agreements which is set forth in Chapter 17.44 of the Orange Municipal Code, as it existed on the Effective Date; and

(3) Such other ordinances, rules, regulations, and official policies governing permitted uses of the Project, density, design, improvement, and construction standards and specifications applicable to the development of the Project in force on the Effective Date, except as they may be in conflict with the provision of Subsection (a)(4) of this Section.

(4) The terms, provisions and conditions of the following with respect to each Project as hereinafter described:

(A) Conditional Use Permit No. 2379-01 and Major Site Plan Review No. 107-99 for the 605 Building Site; and

(B) The "fair share" of the Project for the WOCS Improvements and the Traffic Improvement Conditions as set forth in Resolution No. 9843.

(b) The City acknowledges that the Original Developer sold one (1) of the EOP Projects legally described on Exhibit "C" attached hereto and commonly referred to as the "**City Tower Two Site**" to a third party and, the City granted approvals to allow such third party to develop a residential project on the City Tower Two Site. The City further acknowledges that the average daily trips which would be generated by the proposed residential project may be substantially less than the average daily trips that would have been generated by the original project for the City Tower Two Site as identified in the Final EIR. The City hereby agrees and acknowledges that the traffic impacts identified in the Final EIR were studied on an area-wide basis and that the Final EIR adequately studied and determined the traffic impacts and relevant mitigation measures required for such traffic impacts. Accordingly, the City hereby agrees that the difference between the average daily trips allocated to the original City Tower Two Site and the average daily trips which are determined to be generated by the residential project (or other project) located on the City Tower Two Site and approved by the City (the "**Unused Trips**") may be "transferred" to the Project during the term of this Agreement (it being the intention of the Parties that the Unused Trips shall be reserved for the benefit of Developer and the Project and, without the prior written consent of Developer, such Unused Trips shall not be applied to or reserved for the benefit of any other project that is subject to approval by the City).

(c) The Project shall not be required to pay any portion of the "fair share" of the WOCS Improvements and/or Traffic Improvement Conditions payable by or as a result of any project approved by the City on the City Tower Two Site.

(d) The "fair share" of the Project shall not be increased as a result of the failure by the City to recover (for whatever reason) the "fair share" contributions of the UCI Medical Center Expansion and/or The Block at Orange Expansion, nor shall the cost of the WOCS Improvements and the Traffic Improvement Conditions be deemed to be increased as a result of such failure.

(e) Notwithstanding the provisions of this Agreement, the City reserves the right to apply certain other laws, ordinances and regulations under the certain limited circumstances described below:

(1) This Agreement shall not prevent the City from applying new ordinances, rules, regulations and policies relating to uniform codes adopted by City or by the State of California, such as the Uniform Building Code, National Electrical Code, Uniform Mechanical Code or Uniform Fire Code, as amended, and the application of such uniform codes to the Project at the time of application for issuance of building permits for structures on the Project including such amendments to uniform codes as the City may adopt from time to time.

(2) In the event that State or Federal laws or regulations prevent or preclude compliance with one or more of the provisions of this Agreement, such provisions of this Agreement shall be modified or suspended as may be necessary to comply with such State or Federal laws or regulations; provided, however, that this Agreement shall remain in full force and effect to the extent it is not inconsistent with such laws or regulations and to the extent such laws or regulations do not render such remaining provisions impractical to enforce. Notwithstanding the foregoing, City shall not adopt or undertake any regulation, program or action or fail to take any action which is inconsistent or in conflict with this Agreement until, following meetings and discussions with the Developer, the City Council makes a finding, at or following a noticed public hearing, that such regulation, program actions or inaction is required (as opposed to permitted) to comply with such State and Federal laws or regulations after taking into consideration all reasonable alternatives.

(3) Notwithstanding anything to the contrary in this Agreement, City shall have the right to apply City ordinances and regulations (including amendments to Applicable Rules) adopted by the City after the Effective Date, in connection with any Future Approvals, or deny, or impose conditions of approval on, any Future Approvals in City's sole discretion if such application is required to prevent a condition dangerous to the physical health or safety of existing or future occupants of the Project, or any portion thereof or any lands adjacent thereto.

6. **Right to Develop.** Subject to the terms of this Agreement, and as of the Effective Date, Developer shall have a vested right to develop the Project in accordance with the Applicable Rules.

7. **Acknowledgments, Agreements and Assurances on the Part of the Developer.**

(a) **Developer's Faithful Performance.** The Parties acknowledge and agree that Developer's performance in developing the Project and in constructing and installing certain public improvements and complying with the Applicable Rules will fulfill substantial public needs. The City acknowledges and agrees that there is good and valuable consideration to the City resulting from Developer's assurances and faithful performance thereof and otherwise in this Agreement, and that same is in balance with the benefits conferred by the City on the Project. The Parties further acknowledge and agree that the exchanged consideration hereunder is fair, just and reasonable.

(b) **Obligations to be Non-Recourse.** As a material element of this Agreement, and as an inducement to Developer to enter into this Agreement, each of the Parties understands and agrees that the City's remedies for breach of the obligations of Developer under this Agreement shall be limited as described in this Agreement.

(c) **Developer's Commitment Regarding California Sales/Use Taxes.** To the extent permitted by law, Developer will require in its general contractor construction contract that Developer's general contractor and subcontractors exercise their option to obtain a Board of Equalization sales/use tax subpermit for the jobsite at the project site and allocate all eligible use tax payments to the City. Further, to the extent permitted by law, Developer will require in its general contractor construction contract that prior to beginning construction of the project, the general contractor and subcontractors will provide the City with either a copy of the subpermit, or a statement that sales/use tax does not apply to their portion of the job, or a statement that they do not have a resale license which is a precondition to obtaining a subpermit. Further, to the extent permitted by law, Developer will use its best efforts to require in its general contractor construction contract that (1) the general contractor or subcontractor shall provide a written certification that the person(s) responsible for filing the tax return understands the process of reporting the tax to the City and will do so in accordance with the City's conditions of project approval as contained in this Agreement; (2) the general contractor or subcontractor shall, on its quarterly sales/use tax return, identify the sales/use tax applicable to the construction site and use the appropriate Board of Equalization forms and schedules to ensure that the tax is allocated to the City of Orange; (3) in determining the amounts of sales/use tax to be paid, the general contractor or subcontractor shall follow the guidelines set forth in Section 1806 of Sales and Use Tax Regulations; (4) the general contractor or subcontractor shall submit an advance copy of his tax return(s) to the City for inspection and confirmation prior to submittal to the Board of Equalization; and (5) in the event it is later determined that certain eligible sales/use tax amounts were not included on general contractor's or subcontractor's sales/use tax return(s), general contractor and subcontractor agree to amend those returns and file them with the Board of Equalization in a manner that will ensure the City receives such additional sales/use tax as City may be eligible to receive from the project for which that particular contractor and its subcontractors were responsible.

During the term of this Agreement, to the extent permitted by law, Developer shall do one of the following: (1) Developer will review the Direct Payment Permit Process established under State Revenue and Taxation Code Section 7051.3 and, if eligible, acquire and use the permit so that the local share of its sales/use tax payments is allocated to the City; Developer will provide City with either a copy of the direct payment permit or a statement certifying ineligibility to qualify for the permit; Developer will further work with the City to inform all tenants about the Direct Payment Permit Process and encourage their participation, if qualified; or (2) Developer shall make use of its resale license issued by the Board of Equalization to exempt from sales/use taxes Developer's significant equipment purchases relating to the project site from vendors and to direct pay all sales/use tax to the Board of Equalization with the City of Orange as the point of sale for such purchases; in connection with the foregoing, Developer shall provide to the City the vendor names, a description of the equipment to be purchased, the purchase amounts for any out-of-state or out-of-country purchases exceeding \$500,000, and a copy of the applicable quarterly sales/use tax reflecting payment of the sales/use tax so long as the confidentiality thereof is protected in a manner consistent with the restrictions imposed by Revenue and Taxation Code Section 7056.

City agrees to cause City's sales and use tax consultant, which is presently the HdL Companies, to reasonably cooperate with Developer, Developer's general contractor(s) and the general contractors' subcontractors to maximize City's receipt of sales/use tax hereunder.

(d) **Limitation on Parking.** Developer acknowledges and agrees that the total amount of parking to be constructed by Developer in connection with the Project shall not exceed the maximum authorized parking set forth in Conditional Use Permit No. 2379-01.

8. **Acknowledgments, Agreements and Assurances on the Part of the City.** In order to effectuate the provisions of this Agreement, and in consideration for the Developer to obligate itself to carry out the covenants and conditions set forth in the preceding Section of this Agreement, the City hereby agrees and assures Developer that Developer will be permitted to carry out and complete the development of the Project in accordance with the Applicable Rules, subject to the terms and conditions of this Agreement and the Applicable Rules. Therefore, the City hereby agrees and acknowledges that:

(a) **Entitlement to Develop.** The Developer is hereby granted the vested right to develop the Project to the extent and in the manner provided in this Agreement, subject to the Applicable Rules and the **Future Approvals.**

(b) **Conflicting Enactments.** Except as provided in Subsection (e) of Section 5 above, any change in the Applicable Rules, including, without limitation, any change in any applicable general area or specific plan, zoning, subdivision or building regulation, adopted or becoming effective after the Effective Date, including, without limitation, any such change by means of a Future Approval, an ordinance, initiative, resolution, policy, order or moratorium, initiated or instituted for any reason whatsoever and adopted by the Council, the Planning Commission or any other board, commission or department of City, or any officer or employee thereof, or by the electorate, as the case may be, which would, absent this Agreement, otherwise be applicable to the Project and which would conflict in any way with or be more restrictive than the Applicable Rules ("Subsequent Rules"), shall not be applied by City to any part of the Project. Developer may give City written notice of its election to have any Subsequent Rule applied to such portion of the Project as it may own, in which case such Subsequent Rule shall be deemed to be an Applicable Rule insofar as that portion of the Project is concerned.

(c) **Permitted Conditions.** Provided Developer's applications for any Future Approvals are consistent with this Agreement and the Applicable Rules, City shall grant the Future Approvals in accordance with the Applicable Rules and authorize development of the Project for the uses and to the density and regulations as described herein. City shall have the right to impose reasonable conditions in connection with Future Approvals and, in approving tentative subdivision maps, impose dedications for rights of way or easements for public access, utilities, water, sewers, and drainage necessary for the Project or other developments on the Project; provided, however, that such conditions and dedications shall not be inconsistent with the Applicable Rules in effect prior to imposition of the new requirement nor inconsistent with the development of the Project as contemplated by this Agreement; and provided further that such conditions and dedication shall not impose additional infrastructure or public improvement obligations in excess of those identified in this Agreement or normally imposed by the City. In connection with a Future Approval, Developer may protest any conditions, dedications or fees to the City Council or as

otherwise provided by City rules or regulations while continuing to develop the Project; such a protest by Developer shall not delay or stop the issuance of building permits or certificates of occupancy unless otherwise provided in the Applicable Rules.

(d) **Timing of Development.** Because the California Supreme Court held in *Pardee Construction Co. v. City of Camarillo*, 37 Cal.3d 465 (1984) that failure of the parties to provide for the timing of development resulted in a later adopted initiative restricting the timing of development to prevail over the parties' Agreement, it is the intent of Developer and the City to cure that deficiency by acknowledging and providing that Developer shall have the right (without the obligation) to develop the Project in such order and at such rate and at such time as it deems appropriate within the exercise of its subjective business judgment, subject to the terms of this Agreement.

(e) **Moratorium.** No City-imposed moratorium or other limitation (whether relating to the rate, timing or sequencing of the development or construction of all or any part of the Project whether imposed by ordinance, initiative, resolution, policy, order or otherwise, and whether enacted by the Council, an agency of City, the electorate, or otherwise) affecting parcel or subdivision maps (whether tentative, vesting tentative or final), building permits, occupancy certificates or other entitlements to use or service (including, without limitation, water and sewer, should the City ever provide such services) approved, issued or granted within City, or portions of City, shall apply to the Project to the extent such moratorium or other limitation is in conflict with this Agreement and/or the Applicable Rules.

(f) **Permitted Fees and Exactions.** Certain development impact and processing fees have been imposed on the Project as conditions of the Existing Project Approvals (including, by way of example but not limited to, TSIP Fees, park facility fees, library facility fees, policy facility fees and fire facility fees), which impact and processing fees are in existence on the Effective Date ("**Development Project Fees**"). Development Project Fees applicable to the Project, together with any processing fees charged by the City for the City's administrative time and related costs incurred in preparing and considering any application for the Project, shall be assessed in the amount they exist at the time Developer becomes liable to pay such fees, provided that such fees shall not exceed the fees that are charged by the City generally to all other applicants similarly situated, on a non-discriminatory basis for similar approvals, permits, or entitlements granted by City. During the term of this Agreement, the City shall be precluded from applying any development impact fee that does not exist as of the Effective Date, except for an impact fee the City may adopt on a City-wide basis for administrative facility capital improvements. This provision does not authorize City to impose fees on the Project that could not be imposed in the absence of this Agreement. Except as otherwise provided in this Agreement, City shall only charge and impose those fees and exactions, including, without limitation, dedications and any other fees or taxes (including excise, construction or any other taxes) relating to development or the privilege of developing the Project as set forth in the Applicable Rules described in Section 5 of this Agreement; provided, however, that Section 5 shall not apply to the following fees and taxes and shall not be construed to limit the authority of City to:

(1) Impose or levy general or special taxes, including but not limited to, property taxes, sales taxes, parcel taxes, transient occupancy taxes, business taxes, which may be applied to the Project or to businesses occupying the Project; provided, however, that the tax is of

general applicability citywide and does not burden the Project disproportionately to other development within the City; or

(2) Collect such fees or exactions as are imposed and set by governmental entities not controlled by City but which are required to be collected by City.

(g) **Project Mitigation**. The Developer shall undertake and complete the mitigation requirements of the Existing Project Approvals. These requirements shall be satisfied within the time established therefor in the Existing Project Approvals.

9. **Cooperation and Implementation**. The City and Developer agree that they will cooperate with one another to the fullest extent reasonable and feasible to implement this Agreement. Upon satisfactory performance by Developer of all required preliminary conditions of approval, actions and payments, the City will commence and in a timely manner proceed to complete all steps necessary for the implementation of this Agreement and the development of the Project in accordance with the terms of this Agreement. Developer shall, in a timely manner, provide the City with all documents, plans, and other information necessary for the City to carry out its obligations. Additionally:

(a) **Further Assurances: Covenant to Sign Documents**. Each party shall take all actions and do all things, and execute, with acknowledgment or affidavit, if required, any and all documents and writings, including estoppel certificates, that may be necessary or proper to achieve the purposes and objectives of this Agreement.

(b) **Reimbursement and Apportionment**. Nothing in this Agreement precludes City and Developer from entering into any reimbursement agreements for reimbursement to the Developer of the portion (if any) of the cost of any dedications, public facilities and/or infrastructure that City, pursuant to this Agreement, may require as conditions of the Future Approvals agreed to by the Parties, to the extent that they are in excess of those reasonably necessary to mitigate the impacts of the Project or development on the Project.

(c) **Processing**. Upon satisfactory completion by Developer of all required preliminary actions and payments of appropriate processing fees, if any, City shall, subject to all legal requirements, promptly initiate, diligently process, and complete all required steps, and promptly act upon any approvals and permits necessary for the development by Developer in accordance with this Agreement, including, but not limited to, the following:

(1) the processing of applications for and issuing of all discretionary approvals requiring the exercise of judgment and deliberation by City, including without limitation, the Future Approvals;

(2) the holding of any required public hearings; and

(3) the processing of applications for and issuing of all ministerial approvals requiring the determination of conformance with the Applicable Rules, including, without limitation, site plans, grading plans, improvement plans, building plans and specifications, and ministerial issuance of one or more final maps, grading permits, improvement permits, wall permits, building permits, lot line adjustments, encroachment permits, temporary use permits,

certificates of use and occupancy and approvals and entitlements and related matters as necessary for the completion of the development of the Project ("**Ministerial Approvals**").

(d) **Processing During Third Party Litigation.** The filing of any third party lawsuit(s) against City and Developer relating to this Agreement or to other development issues affecting the Project shall not delay or stop the development, processing or construction of the Project, approval of the Future Approvals, or issuance of Ministerial Approvals, unless the third party obtains a court order preventing the activity. City shall not stipulate to or fail to oppose the issuance of any such order.

(e) **Defense of Agreement.** City agrees to and shall timely take all actions which are necessary or required to uphold the validity and enforceability of this Agreement and the Applicable Rules, subject to the indemnification provisions of this Section. Developer shall indemnify, protect and hold harmless, the City and any agency or instrumentality thereof, and/or any of its officers, employees, and agents from any and all claims, actions, or proceedings against the City, or any agency or instrumentality thereof, or any of its officers, employees and agents, to attack, set aside, void, annul, or seek monetary damages resulting from an approval of the City, or any agency or instrumentality thereof, advisory agency, appeal board or legislative body including actions approved by the voters of the City, concerning this Agreement. The City shall promptly notify the Developer of any claim, action, or proceeding brought forth within this time period. The Developer and City shall select joint legal counsel to conduct such defense and which legal counsel shall represent both the City and Developer in the defense of such action. The City in consultation with Developer shall estimate the cost of the defense of the action and Developer shall deposit said amount with the City. City may require additional deposits to cover anticipated costs. City shall refund, without interest, any unused portions of the deposit once the litigation is finally concluded. Should the City fail to either promptly notify or cooperate fully, Developer shall not thereafter be responsible to indemnify, defend, protect, or hold harmless the City, any agency or instrumentality thereof, or any of its officers, employees, or agents. Should the Developer fail to post the required deposit within five (5) working days from notice by City, City may terminate this Agreement pursuant to its terms. If City elects to terminate this Agreement pursuant to this Section, it shall do so by written notice to Developer, whereupon this Agreement shall terminate, expire and have no further force or effect as to the Project. Thereafter, the terminating party's indemnity and defense obligations pursuant to this Agreement shall have no further force or effect as to acts or omissions from and after the effective date of said termination.

10. **Compliance; Termination; Modifications and Amendments.**

(a) **Review of Compliance.** The City's Director of Community Development (or designee) shall review this Development Agreement once each year, on or before each anniversary of the Effective Date ("**Periodic Review**"), in accordance with this Section, and the Applicable Rules and the City's Municipal Code in order to determine whether or not Developer is out-of-compliance with any specific term or provision of this Agreement. At commencement of each Periodic Review, the Director shall notify Developer in writing that the Periodic Review will commence or has commenced.

(b) **Prima Facie Compliance.** Within thirty (30) days after receipt of the Director's notice that the Periodic Review will commence or has commenced (and unless

Developer requests and is granted a waiver by the City), Developer shall demonstrate that it has, during the preceding twelve (12) month period, been in reasonable prima facie compliance with this Agreement. For purposes of this Agreement, the phrase "reasonable prima facie compliance" shall mean that Developer has demonstrated that it has acted in accordance with this Agreement.

(c) **Notice of Non-Compliance, Cure Rights.** If during any Periodic Review, the Director reasonably concludes that (i) Developer has not demonstrated that it is in reasonable prima facie compliance with this Agreement, and (ii) Developer is out of compliance with a specific, substantive term or provision of this Agreement, then the Director may issue and deliver to Developer a written notice of non-compliance ("**Notice of Non-Compliance**") detailing the specific reasons for non-compliance (including references to sections and provisions of this Agreement and Applicable Rules which have allegedly been breached) and a complete statement of all facts demonstrating such non-compliance. Developer shall have thirty (30) calendar days following its receipt of the Notice of Non-compliance in which to cure said failure(s); provided, however, that if any one or more of the item(s) of non-compliance set forth in the Notice of Non-compliance cannot reasonably be cured within said thirty (30) calendar day period, then Developer shall not be in breach of this Agreement if it commences to cure said item(s) within said thirty (30) day period and diligently prosecutes said cure to completion. Upon completion of each Periodic Review, the Director shall submit a report to the City Council if the Director determines that Developer has not satisfactorily demonstrated reasonable prima facie compliance with this Agreement. The Director shall submit a report to the City Council stating what steps have been taken by the Director or what steps the Director recommends that the City subsequently take with reference to the alleged non-compliance. (If the Director determines that the Developer has demonstrated reasonable prima facie compliance with this Agreement, the Director will not be required to submit a report to the City Council.) Non-performance by either party shall be excused when it is delayed unavoidably and beyond the reasonable control of the Parties as a result of any of the events identified in Section 19 of this Agreement.

(d) **Termination of Development Agreement as to Breaching Party.** If Developer fails to timely cure any item(s) of non-compliance set forth in a Notice of Non-compliance, then the City shall have the right, but not the obligation, to initiate proceedings for the purpose of terminating this Agreement. Such proceedings shall be initiated by notice to the Developer, followed by meetings between the Developer and the City for the purpose of good faith negotiations between the Parties to resolve the dispute. If the City determines to terminate this Agreement following a reasonable number of meetings and a reasonable opportunity for the Developer to cure any non-performance, the City shall give Developer written notice of its intent to so terminate this Agreement, specifying the precise grounds for termination and setting a date, time and place for a public hearing on the issue, all in compliance with the Development Agreement Statutes. At the noticed public hearing, Developer and/or its designated representative shall be given an opportunity to make a full and public presentation to the City. If, following the taking of evidence and hearing of testimony at said public hearing, the City finds, based upon a preponderance of evidence, that the Developer has not demonstrated compliance with this Agreement, and that Developer is out of material compliance with a specific, substantive term or provision of this Agreement, then the City may (unless the Parties otherwise agree in writing) terminate this Agreement.

(e) **Notice and Opportunity to Cure if City Breaches.** If at any time Developer reasonably concludes that (1) City has not acted in prima facie compliance with this Agreement, and (ii) City is out of compliance with a specific, substantive term or provision of this Agreement, then Developer may issue and deliver to City written notice of City's non-compliance, detailing the specific reasons for non-compliance (including references to sections and provisions of this Agreement which have allegedly been breached) and a complete statement of all facts demonstrating such non-compliance. Developer shall also meet with the City as appropriate to discuss any alleged non-compliance on the part of the City. City shall have thirty (30) calendar days following its receipt of the Notice of Non-compliance in which to cure said failure(s); provided, however, that if any one or more of the item(s) of non-compliance set forth in the Notice of Non-compliance cannot reasonably be cured within said thirty (30) calendar day period, then City shall not be in breach of this Agreement if it commences to cure said item(s) within said thirty (30) day period and diligently prosecutes said cure to completion.

(f) **Modification or Amendment, of Development Agreement.** Subject to the notice and hearing requirements of the applicable Development Agreement Statutes, this Agreement may be modified or amended from time to time only with the written consent of Developer and the City or their successors and assigns in accordance with the provisions of the Municipal Code and Government Code §65868.

(g) **No Cross-Default.** Notwithstanding anything set forth in this Agreement to the contrary, in no event shall the breach of or default under this Agreement by Developer with respect to the Project constitute a breach of or default under this Agreement or any other agreement with respect to any other development project. In other words, the Project identified in this Agreement shall stand alone for purposes of its compliance with the terms, provisions and requirements of this Agreement and any other agreement between the City and Developer.

11. **Operating Memoranda.** The provisions of this Agreement require a close degree of cooperation between City and Developer. The anticipated refinements to the Project and other development activity at the Project may demonstrate that clarifications to this Agreement and the Applicable Rules are appropriate with respect to the details of performance of City and Developer. If and when, from time to time during the term of this Agreement, City and Developer agree that such clarifications are necessary or appropriate, they shall effectuate such clarifications through operating memoranda approved in writing by the City and Developer which, after execution, shall be attached hereto and become a part of this Agreement, and the same may be further clarified from time to time as necessary with future written approval by City and Developer. Operating memoranda are not intended to constitute an amendment to this Agreement but mere ministerial clarifications; therefore, no public notice or hearing shall be required. The City Attorney shall be authorized, upon consultation with and approval of Developer, to determine whether a requested clarification may be effectuated pursuant to this Section or whether the requested clarification is of such a character to constitute an amendment hereof which requires compliance with the provisions of Section 10(f) above. The authority to enter into such operating memoranda is hereby delegated to the City Manager and the City Manager is hereby authorized to execute any operating memoranda hereunder without further action by the City Council.

12. **Term of Agreement.** This Agreement shall become operative and shall commence upon the date the ordinance approving this Agreement becomes effective. Subject to payment by

Developer of the “**Public Benefit Fees**” that are applicable in the amounts and at the times identified on **Exhibit “D”** attached hereto, this Agreement shall remain in effect for a period of up to six (6) years from the Original Termination Date unless this Agreement is terminated, modified or extended upon mutual written consent of the Parties hereto or as otherwise provided in this Agreement. Unless otherwise agreed to by the City and Developer, Developer’s failure to pay any portion of the Public Benefit Fees within the time period set forth on **Exhibit “D”** shall be deemed Developer’s election not to extend the term of this Agreement. In no event shall the Public Benefit Fees be supplemented, raised or increased above the amounts identified on **Exhibit “D”**.

(a) **First Payment of Public Benefit Fees.** Within forty-five (45) days of mutual execution of this Agreement by the Developer and the City, Developer shall pay to the City the First Public Benefit Fee (as defined on **Exhibit “D”**). Upon payment by Developer to the City of the First Public Benefit Fee, this Agreement shall remain in effect for a period of two (2) years from the Original Termination Date (such two (2) year period being the “**Initial Term**”).

(b) **Second Payment of Public Benefit Fees.** If Developer elects, in its sole and absolute discretion, to extend this Agreement beyond the Initial Term, then Developer shall pay to the City the Second Public Benefit Fee (as defined on **Exhibit “D”**) no later than the time set forth on **Exhibit “D”**. Upon payment by Developer to the City of the Second Public Benefit Fee, this Agreement shall be automatically extended for an additional two (2) years from the expiration of the Initial Term (such two (2) year period being the “**First Automatic Renewal Term**”).

(c) **Final Payment of Public Benefit Fees.** If Developer elects, in its sole and absolute discretion, to further extend this Agreement beyond the First Automatic Renewal Term, then Developer shall pay to the City the Third Public Benefit Fee (as defined on **Exhibit “D”**) no later than the time set forth on **Exhibit “D”**. Upon payment by Developer to the City of the Third Public Benefit Fee, this Agreement shall be automatically extended for an additional two (2) years from the expiration of the First Automatic Renewal Term.

(d) Following expiration or termination of the term hereof, this Agreement shall be deemed terminated and of no further force and effect; provided, however, that no such expiration or termination shall automatically affect any right of the City and Developer arising from City approvals on the Project prior to expiration or termination of the term hereof or arising from the duties of the Parties as prescribed in this Agreement.

13. **Administration of Agreement and Resolution of Disputes.**

(a) **Administration of Disputes.** All disputes involving the enforcement, interpretation or administration of this Agreement (including, but not limited to, decisions by the City staff concerning this Agreement and any of the projects or other matters concerning this Agreement which are the subject hereof) shall first be subject to good faith negotiations between the Parties to resolve the dispute. In the event the dispute is not resolved by negotiations, the dispute shall then be heard and decided by the City Council. Thereafter, any decision of the City Council which remains in dispute shall be appealed to, heard by, and resolved pursuant to the Mandatory Alternative Dispute Resolution procedures set forth in Section 13(b) hereinbelow.

Unless the dispute is resolved sooner, City shall use diligent efforts to complete the foregoing City Council review within thirty (30) days following receipt of a written notice of default or dispute notice. Nothing in this Agreement shall prevent or delay Developer or City from seeking a temporary or preliminary injunction in state or federal court if it believes that injunctive relief is necessary on a more immediate basis.

(b) **Mandatory Alternative Dispute Resolution.** After the provisions of Section 13(a) above have been complied with, and pursuant to Code of Civil Procedure §638, *et seq.*, all disputes regarding the enforcement, interpretation or administration of this Agreement (including, but not limited to, appeals from decisions of the City Council, all matters involving Code of Civil Procedure §1094.5, all Ministerial Approvals, Discretionary Approvals, Future Approvals and the application of Applicable Rules) shall be heard and resolved pursuant to the alternative dispute resolution procedure set forth in this Section 13(b). All matters to be heard and resolved pursuant to this Section 13(b) shall be heard and resolved by a single appointed referee who shall be a retired judge from either the California Superior Court, the California Court of Appeals, the California Supreme Court, the United States District Court or the United States Court of Appeals, provided that the appointed referee shall have significant and recent experience in resolving land use and real property disputes. The Parties to this Agreement who are involved in the dispute shall agree and appoint a single referee who shall then try all issues, whether of fact or law, and report in writing to the Parties to such dispute all findings of fact and issues and decisions of law and the final judgments made thereon, in sufficient detail to inform each party as to the basis of the referee's decision. The referee shall try all issues as if he/she were a California Superior Court judge, sitting without a jury, and shall (unless otherwise limited by any term or provision of this Agreement) have all legal and equitable powers granted a California Superior Court judge. Prior to the hearing, the Parties shall have full discovery rights as provided by the California Code of Civil Procedure. At the hearing, the Parties shall have the right to present evidence, examine and cross-examine lay and expert witnesses, submit briefs and have arguments of counsel heard, all in accordance with a briefing and hearing schedule reasonably established by the referee. The referee shall be required to follow and adhere to all laws, rules and regulations of the State of California in the hearing of testimony, admission of evidence, conduct of discovery, issuance of a judgment and fashioning of remedy, subject to such restriction on remedies as set forth in this Agreement. If the Parties involved in the dispute are unable to agree on a referee, any party to the dispute may seek to have a single referee appointed by a California Superior Court judge and the hearing shall be held in Orange County pursuant to California Code of Civil Procedure §640. The cost of any proceeding held pursuant to this Section 13(b) shall initially be borne equally by the Parties involved in the dispute, and each party shall bear its own attorneys' fees. Any referee selected pursuant to this Section shall be considered a temporary judge appointed pursuant to Article 6, Section 21 of the Constitution of the State of California. The cost of the referee shall be borne equally by each party. If any party to the dispute fails to timely pay its fees or costs, or fails to cooperate in the administration of the hearing and decision process as determined by the referee, the referee shall, upon the written request of any party to the dispute, be required to issue a written notice of breach to the defaulting party, and if the defaulting party fails to timely respond or cooperate with the period of time set forth in the notice of default (which in any event may not exceed thirty (30) calendar days), then the referee shall, upon the request of any non-defaulting party, render a default judgment against the defaulting party. At the end of the hearing, the referee shall issue a written judgment (which may include an award of reasonable attorneys' fees and costs as provided elsewhere in this Agreement), which judgment shall be final and binding between the

Parties and which may be entered as a final judgment in a California Superior Court. The referee shall use his/her best efforts to finally resolve the dispute and issue a final judgment within sixty (60) calendar days from the date of his/her appointment. Pursuant to Code of Civil Procedure Section 645, the decision of the referee may be excepted to and reviewed in like manner as if made by the Superior Court.

(1) Any party to the dispute may, in addition to any other rights or remedies provided by this Agreement, seek appropriate judicial ancillary remedies from a court of competent jurisdiction to enjoin any threatened or attempted violation hereof, or enforce by specific performance the obligations and rights of the Parties hereto, except as otherwise provided herein.

(2) The Parties hereto agree that (i) the City would not have entered into this Agreement if it were to be held liable for general, special or compensatory damages for any default under or with respect to this Agreement or the application thereof, and (ii) Developer has adequate remedies, other than general, special or compensatory damages, to secure City's compliance with its obligations under this Agreement. Therefore, the undersigned agree that neither the City nor its officers, employees or agents shall be liable for any general, special or compensatory damages to Developer or to any successor or assignee or transferee of Developer for the City's breach or default under or with respect to this Agreement; and Developer covenants not to sue the City, its officers, employees or agents for, or claim against the City, its officers, employees or agents, any right to receive general, special or compensatory damages for the City's default under this Agreement. Notwithstanding the provisions of this Section 13(b)(2), City agrees that Developer shall have the right to seek a refund or return of a deposit made with the City or fee paid to the City in accordance with the provisions of the Applicable Rules.

(c) In the event Developer challenges an ordinance or regulation of the City as being outside of the authority of the City pursuant to this Agreement, Developer shall bear the burden of proof in establishing that such ordinance, rule, regulation, or policy is inconsistent with the terms of this Agreement and applied in violation thereof.

14. Transfers and Assignments.

(a) Right to Assign. Developer shall have the right to encumber, sell, transfer or assign all or any portion of the Project which it may own to any person or entity (such person or entity, a "Transferee") at any time during the term of this Agreement without approval of the City, provided that Developer provides the City with written notice of the applicable transfer within thirty (30) days of the transfer, along with notice of the name and address of the assignee. Nothing set forth herein shall cause a lease or license of any portion of the Project to be deemed to constitute a transfer of the Project, or any portion thereof. This Agreement may be assigned or transferred by Developer as to and in conjunction with the sale or transfer of all or a portion of the Project, as permitted by this Section 14, provided that the Transferee has agreed in writing to be subject to all of the provisions of this Agreement applicable to the portion of the Project so transferred.

(b) Liabilities Upon Transfer. Upon the delegation of all duties and obligations and the sale, transfer or assignment of all or any portion of the Project to a Transferee,

Developer shall be released from its obligations under this Agreement with respect to the Project or portion thereof so transferred arising subsequent to the effective date of such transfer if (1) Developer has provided to City thirty (30) days' prior written notice of such transfer and (2) the Transferee has agreed in writing to be subject to all of the provisions hereof applicable to the portion of the Project so transferred. Upon any transfer of any portion of the Project and the express assumption of Developer's obligations under this Agreement by such Transferee, the Transferee becomes a party to this Agreement, and the City agrees to look solely to the Transferee for compliance by such Transferee with the provisions of this Agreement as such provisions relate to the portion of the Project acquired by such Transferee. Any such Transferee shall be entitled to the benefits of this Agreement and shall be subject to the obligations of this Agreement, applicable to the parcel(s) transferred. A default by any Transferee shall only affect that portion of the Project owned by such Transferee and shall not cancel or diminish in any way Developer's rights hereunder with respect to any portion of the Project not owned by such Transferee. The Transferee shall be responsible for the reporting and annual review requirements relating to the portion of the Project owned by such Transferee, and any amendment to this Agreement between City and a transferee shall only affect the portion of the Project owned by such transferee. In the event that Developer retains its obligations under this Agreement with respect to the portion of the Project transferred by Developer, the Transferee in such a transaction (a "**Non-Assuming Transferee**") shall be deemed to have no obligations under this Agreement, but shall continue to benefit from all rights provided by this Agreement for the duration of the term set forth in Section 12. Nothing in this section shall exempt any Non-Assuming Transferee from payment of applicable fees and assessments or compliance with applicable permit conditions of approval or mitigation measures.

15. **Mortgage Protection**. The Parties hereto agree that this Agreement shall not prevent or limit Developer, at Developer's sole discretion, from encumbering the Project or any portion thereof or any improvement thereon in any manner whatsoever by any mortgage, deed of trust, sale/leaseback, synthetic lease or other security device securing financing with respect to the Project. City acknowledges that the lender(s) providing such financing may require certain Agreement interpretations and modifications and agrees, upon request, from time to time, to meet with Developer and representatives of such lender(s) to negotiate in good faith any such request for interpretation or modification; provided, however, that no such interpretations or modifications shall diminish the public benefits received under this Agreement unless the City agrees to the acceptance of such diminished public benefits. City will not unreasonably withhold its consent to any such requested interpretation or modification, provided such interpretation or modification is consistent with the intent and purposes of this Agreement. Any mortgagee of a mortgage or a beneficiary of a deed of trust or landlord under a sale/leaseback, synthetic lease or lender providing secured financing in any manner ("**Mortgagee**") on the Project shall be entitled to the following rights and privileges:

(a) **Mortgage Not Rendered Invalid**. Neither entering into this Agreement nor a breach of this Agreement shall defeat, render invalid, diminish, or impair the lien of any mortgage, deed of trust or other financing documents on the Project made in good faith and for value.

(b) **Request for Notice to Mortgagee**. The Mortgagee of any mortgage, deed of trust or other financing documents encumbering the Project, or any part thereof, who has submitted a request in writing to City in the manner specified herein for giving notices shall be

entitled to receive written notification from City of any default by Developer in the performance of Developer's obligations under this Agreement.

(c) **Mortgagee's Time to Cure.** If City timely receives a request from a Mortgagee requesting a copy of any notice of default given to Developer under the terms of this Agreement, City shall provide a copy of that notice to the Mortgagee within ten (10) days of sending the notice of default to Developer. The Mortgagee shall have the right, but not the obligation, to cure the default during the remaining cure period allowed Developer under this Agreement, as well as any reasonable additional time necessary to cure, including reasonable time for reacquisition of the Project or the applicable portion thereof.

(d) **Project Taken Subject to Obligations.** Any Mortgagee who comes into possession of the Project or any portion thereof, pursuant to foreclosure of the mortgage, deed of trust, or other financing documents, or deed in lieu of foreclosure, shall take the Project or portion thereof subject to the terms of this Agreement; provided, however, that in no event shall such Mortgagee be held liable for any default or monetary obligation of Developer arising prior to acquisition of title to the Project by such Mortgagee, except that no such Mortgagee (nor its successors or assigns) shall be entitled to a building permit or occupancy certificate until all delinquent and current fees and other monetary obligations due under this Agreement for the Project or portion thereof acquired by such Mortgagee have been paid to City.

16. **Notices.** All notices under this Agreement shall be in writing and shall be deemed delivered when personally received by the addressee, or within three (3) calendar days after deposit in the United States mail by registered or certified mail, postage prepaid, return receipt requested, to the following Parties and their counsel at the addresses indicated below; provided, however, if any party to this Agreement delivers a notice or causes a notice to be delivered to any other party to this Agreement, a duplicate of that Notice shall be concurrently delivered to each other party and their respective counsel.

If to City:

City of Orange
300 East Chapman Avenue
Orange, CA 92866
Attention: City Manager
Facsimile: (714) 744-5147

With a copy to:

Wayne Winthers, Esq.
City Attorney
City of Orange
300 East Chapman Avenue
Orange, California 92866
Facsimile: (714) 538-7157

If to Developer:

ORANGE COUNTY HEALTH AUTHORITY, a public
agency doing business as CalOptima
505 City Parkway West
Orange, California 92868
Attention: Mr. Mike Ruane

Facsimile: (714) 571-2416

Notice given in any other manner shall be effective when received by the addressee. The addresses for notices may be changed by notice given in accordance with this provision.

17. **Severability and Termination.** If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid or unenforceable, or if any provision of this Agreement is superseded or rendered unenforceable according to any law which becomes effective after the Effective Date, the remainder of this Agreement shall be effective to the extent the remaining provisions are not rendered impractical to perform, taking into consideration the purposes of this Agreement.

18. **Time of Essence.** Time is of the essence for each provision of this Agreement of which time is an element.

19. **Force Majeure.** Changed conditions, changes in local, state or federal laws or regulations, floods, earthquakes, delays due to strikes or other labor problems, moratoria enacted by City or by any other governmental entity or agency (subject to Sections 5 and 8 of this Agreement), third-party litigation, injunctions issued by any court of competent jurisdiction, initiatives or referenda, the inability to obtain materials, civil commotion, fire, acts of God, or other circumstances which substantially interfere with the development or construction of the Project, or which substantially interfere with the ability of any of the Parties to perform its obligations under this Agreement, shall collectively be referred to as "**Events of Force Majeure**". If any party to this Agreement is prevented from performing its obligation under this Agreement by any Event of Force Majeure, then, on the condition that the party claiming the benefit of any Event of Force Majeure, (a) did not cause any such Event of Force Majeure and (b) such Event of Force Majeure was beyond said party's reasonable control, the time for performance by said party of its obligations under this Agreement shall be extended by a number of days equal to the number of days that said Event of Force Majeure continued in effect, or by the number of days it takes to repair or restore the damage caused by any such Event to the condition which existed prior to the occurrence of such Event, whichever is longer. In addition, the termination date of this Agreement as set forth in Section 12 of this Agreement shall be extended by the number of days equal to the number of days that any Events of Force Majeure were in effect.

20. **Sole Obligation of Health Authority.** As required by County of Orange Ordinance No. 3896 and amendments thereto, any obligation of the Orange County Health Authority created by this Development Agreement shall not be an obligation of the County of Orange.

21. **Waiver.** No waiver of any provision of this Agreement shall be effective unless in writing and signed by a duly authorized representative of the party against whom enforcement of a waiver is sought.

22. **No Third Party Beneficiaries.** This Agreement is made and entered into for the sole protection and benefit of the Developer and the City and their successors and assigns. Notwithstanding anything contained in this Agreement to the contrary, no other person shall have any right of action based upon any provision of this Agreement.

23. **Attorneys' Fees.** In the event any dispute hereunder is resolved pursuant to the terms of Section 13 (b) hereof, or if any party commences any action for the interpretation, enforcement, termination, cancellation or rescission of this Agreement, or for specific performance for the breach hereof, the prevailing party shall be entitled to its reasonable attorneys' fees, litigation expenses and costs arising from the action. Attorneys' fees under this Section shall include attorneys' fees on any appeal as well as any attorneys' fees incurred in any post judgment proceedings to collect or enforce the judgment.

24. **Incorporation of Exhibits.** The following exhibits which are part of this Agreement are attached hereto and each of which is incorporated herein by this reference as though set forth in full:

- (a) Exhibit "A" — Legal Description of the 605 Building Site;
- (b) Exhibit "B" — Copy of Resolution No. 9843 of the City Council of the City of Orange;
- (c) Exhibit "C" — Legal Description of the City Tower Two Site; and
- (d) Exhibit "D" — Public Benefit Fees.

25. **Copies of Applicable Rules.** Prior to the Effective Date, the City and Original Developer prepared two (2) sets of the Applicable Rules, one each for City and Original Developer, so that if it became necessary in the future to refer to any of the Applicable Rules, there would be a common set available to the Parties. The City agrees to deliver to Developer a copy of the Applicable Rules upon request.

26. **Authority to Execute, Binding Effect.** Developer represents and warrants to the City that it has the power and authority to execute this Agreement and, once executed, this Agreement shall be final, valid, binding and enforceable against Developer in accordance with its terms. The City represents and warrants to Developer that (a) all public notices and public hearings have been held in accordance with law and all required actions for the adoption of this Agreement have been completed in accordance with applicable law; (b) this Agreement, once executed by the City, shall be final, valid, binding and enforceable on the City in accordance with its terms; and (c) this Agreement may not be amended, modified, changed or terminated in the future by the City except in accordance with the terms and conditions set forth herein.

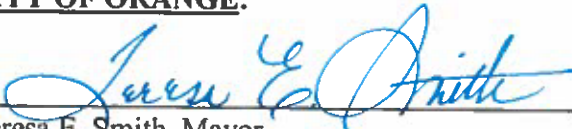
27. **Entire Agreement; Conflicts.** This Agreement represents the entire of the Parties. This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous s between the Parties or their predecessors in interest with respect to all or any part of the subject matter hereof. Should any or all of the provisions of this Agreement be found to be in conflict with any other provision or provisions found in the Applicable Rules, then the provisions of this Agreement shall prevail.

28. **Remedies.** Upon either party's breach hereunder, the non-breaching party shall be permitted to pursue any remedy provided for hereunder.

[SIGNATURES BEGIN ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties have each executed this Agreement on the date first written above.

CITY OF ORANGE:



Teresa E. Smith, Mayor

ATTEST:



Mary E. Murphy, City Clerk

APPROVED AS TO FORM:

By: 

Wayne W. Winthers, City Attorney

DEVELOPER:

ORANGE COUNTY HEALTH AUTHORITY,
a public agency doing business as CalOptima

By: ORANGE COUNTY HEALTH AUTHORITY,
a public agency doing business as CalOptima

M. Schrader
Print Name: Michael Schrader
its Chief Executive Officer

By: ORANGE COUNTY HEALTH AUTHORITY,
a public agency doing business as CalOptima

Print Name: _____
its _____

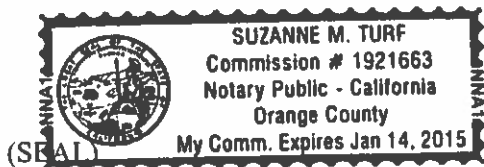
ACKNOWLEDGMENTS

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On Dec. 9, 2014, before me, Suzanne M. Turf, Notary Public, personally appeared Michael Schroeder, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is subscribed to the within instrument and acknowledged to me that ~~he/she/they~~ executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature on the instrument, the person(s), or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



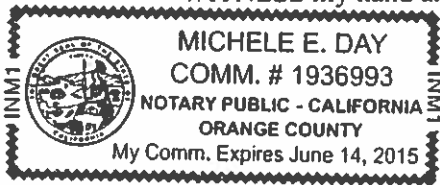
Suzanne M. Turf
Notary Public in and for said State

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On Dec. 10, 2014, before me, Michele E. Day, personally appeared Teresa E. Smith, who proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is subscribed to the within instrument and acknowledged to me that ~~he/she/they~~ executed the same in his/her/their authorized capacity(ies), and that by ~~his/her/their~~ signature on the instrument, the person(s), or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Michele E. Day
Notary Public in and for said State

(SEAL)

EXHIBIT "A"

**LEGAL DESCRIPTION
605 BUILDING TWO**

That certain real property located in the City of Orange, County of Orange, State of California, described as follows:

PARCEL A:

PARCEL 2 OF THE LOT LINE ADJUSTMENT NO. LL94-1, IN THE CITY OF ORANGE, COUNTY OF ORANGE, STATE OF CALIFORNIA, RECORDED APRIL 12, 1996 AS INSTRUMENT NO. 96-180461, OFFICIAL RECORDS.

EXCEPT FROM THAT PORTION THEREOF INCLUDED WITHIN THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF FRACTIONAL SECTION 35, TOWNSHIP 4 SOUTH, RANGE 10 WEST, IN THE RANCHO LAS BOLSAS, IN THE CITY OF ORANGE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 51, PAGE 10 OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, ALL OIL AND OTHER MINERAL RIGHTS IN OR UNDER SAID LAND, LYING BELOW A DEPTH OF 500 FEET FROM THE SURFACE THEREOF, BUT WITHOUT THE RIGHT OF ENTRY, AS RESERVED IN THE DEED FROM CHESTER M. BARNES AND OTHERS, RECORDED OCTOBER 2, 1999 IN BOOK 4911, PAGE 214, OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM ALL SUBSURFACE WATER AND SUBSURFACE WATER RIGHTS IN AND UNDER SAID LAND.

PARCEL B:

A NONEXCLUSIVE EASEMENT FOR UTILITY FACILITIES FOR THE BENEFIT OF PARCEL A, IN, ON, OVER, TO, UNDER, THROUGH, UPON AND ACROSS THE REAL PROPERTY DESCRIBED IN THAT CERTAIN DECLARATION OF UTILITY LINE EASEMENT, DATED JULY 11, 1996, AND RECORDED JULY 11, 1996 AS INSTRUMENT NO. 19960354693 OF OFFICIAL RECORDS, AS SET FORTH IN SAID DECLARATION.

EXHIBIT "B"

COPY OF RESOLUTION NO. 9843

OF THE CITY COUNCIL OF THE CITY OF ORANGE

EXHIBIT "B"

-1-

RESOLUTION NO. 9843

**A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF ORANGE AMENDING
CONDITIONAL USE PERMIT 2378-01, 2379-01
AND 2380-01; MAJOR SITE PLAN REVIEW
NOS. 106-99, 107-99 AND 108-99.**

WHEREAS, on October 10, 2001, the City Council adopted resolutions approving the following conditional use permits, major site plan reviews:

1. The Chapman Site consisting of 132,000 square feet of office space and a 137-room hotel (Resolution No. 9519);
2. City Tower Two Site consisting of 465,000 square feet of office space and eight-level parking structure (Resolution No. 9520);
3. 605 Building Site consisting of 200,000 square feet of office space and a five-level parking structure (Resolution No. 9521);
4. City Plaza Two Site consisting of 136,000 square feet of office building and a six-level parking structure (Resolution No. 9522); and

WHEREAS, the foregoing four projects are hereafter referred to as the EOP Projects; and

WHEREAS, the City Council considered and approved Final Environmental Impact Report No. 1612-01 (hereafter, the FEIR) which analyzed the environmental impacts of the EOP Projects; and

WHEREAS, the City commissioned the West Orange Circulation Study (hereafter, WOC Study) to analyze the traffic impacts of the EOP Projects, expansion of The Block at Orange and expansion of UCI Medical Center; and

WHEREAS, the WOC Study identified approximately \$3.5 million in traffic improvements and assigned fair share costs of such improvements to the following projects: (1) UCI Medical Center expansion, 32%; (2) EOP Projects 38% (identified in the WOC Study as Spieker Office Properties); and (3) The Block at Orange expansion, 30%; and

WHEREAS, as a result of the WOC Study the FEIR, as well as Resolution Nos. 9519-9522 require the EOP Projects as a mitigation measure to pay 38% of the cost of the traffic improvements identified in the WOC Study as its fair share contribution (hereafter WOC Traffic Improvements); and

WHEREAS, Resolutions Nos. 9519-9522 also require the EOP Projects to fully fund three improvements identified in conditions nos. 32, 34 and 35 of such resolutions and pursuant to condition no. 33, to pay a fair share of the cost of a bridge

widening on Orangewood Avenue near its intersection with State Route 57 (hereafter conditions 32-35 are referred to as, Traffic Improvement Conditions); and

WHEREAS, on January 19, 2004, the Planning Commission adopted Resolution No. PC 04-04 approving a new development on the Chapman Site which includes, but is not limited to, 58,260 square feet of commercial space and a fast food restaurant (hereafter, Best Buy Project) which would replace the Chapman Site component (City Council Resolution 9519) of the EOP Projects; and

WHEREAS, CA-The City (Chapman) Limited Partnership is in escrow to sell the Chapman Site to City Town Center, L.P., for development of the Best Buy Project; and

WHEREAS, EOP-The City, L.L.C., has requested that the City proportionally reduce the fair share cost of the WOC Traffic Improvements and Traffic Improvement Conditions to reflect the fact that the Chapman Site is no longer a component of the EOP Projects; and

WHEREAS, City staff has determined that such a reduction is appropriate and will fairly reflect the traffic impacts caused by the EOP Projects, exclusive of the Chapman Site (hereafter, the Remaining EOP Projects).

NOW, THEREFORE, BE IT RESOLVED THAT THE CITY COUNCIL OF THE CITY OF ORANGE FINDS AND DETERMINES as follows:

1. The Remaining EOP Projects shall not bear the costs of the Chapman Site's fair share of the WOC Traffic Improvements, as originally identified in the FEIR and the WOC Study. The fair shares of the EOP Projects for the WOC Traffic Improvements, as identified in the FEIR and WOC Study are reflected in the attached Exhibit A.
2. The Remaining EOP Projects shall not bear the costs of the Chapman Site's fair share of the Traffic Improvement Conditions as identified in the FEIR. The fair shares of the EOP Projects for the Traffic Improvement Conditions, as identified in the FEIR are reflected in the attached Exhibit A.
3. This Resolution shall only become effective upon City Town Center, L.P., becoming the owner of the Chapman Site.

ADOPTED this 9th day of March, 2004.

**ORIGINAL SIGNED BY
MARK A. MURPHY**

Mark A. Murphy, Mayor, City of Orange

ATTEST:

**ORIGINAL SIGNED BY
MARY E. MURPHY**

Mary E. Murphy, City Clerk, City of Orange

I, MARY E. MURPHY, City Clerk of the City of Orange, California, do hereby certify that the foregoing Resolution was duly and regularly adopted by the City Council of the City of Orange at a regular meeting thereof held on the 9th day of March, 2004, by the following vote:

AYES:	COUNCILMEMBERS: Ambriz, Alvarez, Murphy, Coontz
NOES:	COUNCILMEMBERS: None
ABSENT:	COUNCILMEMBERS: Cavccche
ABSTAIN:	COUNCILMEMBERS: None

**ORIGINAL SIGNED BY
MARY E. MURPHY**

Mary E. Murphy, City Clerk, City of Orange

EXHIBIT "A"

	Intersection Identified in the WOC Study ¹	Chapman Site ²	City Tower Two	City Plaza 2 Share	605 Bldg. Share	EOP Total
1	State College & Katella	0%	1%	1%	0%	2%
3	SR-57 NB Ramps & Katella	0%	1%	1%	0%	2%
4	State College & Gene Autry Way	0%	0%	0%	0%	0%
5	State College & Orangewood	0%	2%	1%	1%	4%
6	SR-57 SB Ramps & Orangewood	1%	3%	2%	1%	7%
10	Haster & Chapman	6%	10%	8%	5%	29%
11	Lewis & Chapman	15%	22%	24%	14%	75%
13	The City & Chapman	8%	19%	4%	2%	33%
14	I-5 SB Ramp on-Ramp & Chapman	5%	16%	2%	1%	
19	The City Dr. & The City Way	2%	10%	2%	1%	15%
23	Haster & Lampson	4%	7%	14%	8%	33%
27	The City Dr. & SR-22 EB Ramps	1%	9%	4%	2%	
29	Haster & Garden Grove Blvd.	1%	2%	2%	1%	6%
30	Fairview & Garden Grove Blvd.	1%	3%	6%	3%	13%
31	Lewis & Garden Grove Blvd.	1%	3%	15%	9%	28%
32	The City Dr. & Garden Grove Blvd.	1%	7%	5%	3%	16%
34	Howell & Katella	2%	0%	0%	0%	2%

Traffic Improvement Conditions ³	Intersection	Chapman Site	City Tower	City Plaza	605	EOP Total
32	The City Drive/Garden Grove	10%	90%			100%
33	SR-57/Orangewood Ave.(Bridge Widening)	14%	47%	25%	14%	100%
34	Haster SU/Chapman Ave.	21%	36%	27%	16%	100%
35	Lewis SU/Garden Grove Blvd.	5%	13%	52%	30%	100%

→ = ¹ The shaded intersections are identified in the FEIR and WOC Study and are the only intersections requiring traffic improvements and a fair share contribution.

² Referred to as the "North Parcel" in the FEIR tables.

³ Conditions are those referenced in City Council Resolutions 9519-9522.

EXHIBIT "C"

**LEGAL DESCRIPTION
CITY TOWER TWO SITE**

Parcel 2 of Parcel Map No. 81-769 recorded in Book 172, Pages 40-42 of Parcel Maps, in the Office of the County Recorder of Orange County, California.

EXHIBIT "D"

PUBLIC BENEFIT FEES

In the event that Developer elects, in accordance with the terms and upon the conditions set forth in Section "12. Term of Agreement" of this Agreement, to extend the term of this Agreement, then Developer shall pay the following Public Benefit Fees in the amounts and at the times hereinafter described:

1. Within forty-five (45) days of the mutual execution of this Agreement by Developer and the City, Developer shall pay to the City the sum of \$50,000 (such amount being the "**First Public Benefit Fee**").

2. If Developer elects, in its sole and absolute discretion, to extend the term of this Agreement beyond the Initial Term, then Developer shall pay to the City the sum of \$50,000 (such amount being the "**Second Public Benefit Fee**") no later than fifteen (15) days prior to the expiration of the Initial Term.

3. If Developer elects, in its sole and absolute discretion, to extend the term of this Agreement beyond the First Automatic Renewal Term, then Developer shall pay to the City the sum of \$100,000 (such amount being the "**Third Public Benefit Fee**") no later than fifteen (15) days prior to the expiration of the First Automatic Renewal Term.

For the avoidance of doubt, Developer's election to extend the term of this Agreement shall be in Developer's sole and absolute discretion, and the City's sole remedy for Developer's failure to pay any portion of the Public Benefit Fee within the term periods set forth above shall be to terminate this Agreement.

CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken December 1, 2016 **Regular Meeting of the CalOptima Board of Directors**

Report Item

10. Authorize Vendor Contract(s) and/or Contract Amendment(s) for Services Related to CalOptima's Development Rights at the 505 City Parkway Site and Funding to Develop a Site Plan

Contact

Chet Uma, Chief Financial Officer, (714) 246-8400

Recommended Actions

1. Authorize the amendment of CalOptima's contract with real estate consultant Newport Real Estate Services to include site plan development; and
2. Appropriate expenditures from existing reserves of up to \$7,000 to provide funding for this contract amendment.

Background

At its January 2011 meeting, the CalOptima Board of Directors authorized the purchase of land and an office building located at 505 City Parkway West, Orange, California, and the assumption of development rights associated with the parcel pursuant to a 2004 Development Agreement with the City of Orange. The development rights include the possible construction of an office tower of up to ten stories and 200,000 square feet of office space, and a parking structure of up to five-levels and 1,528 spaces. The potential second office tower and parking structure are referred to as the 605 Building Site. At the time of CalOptima's purchase of the land and building, the expiration date for the Development Agreement was October 28, 2014.

At its October 2, 2014 meeting, the CalOptima Board of Directors authorized the CEO to enter into an Amended and Restated development agreement with the City of Orange to extend CalOptima's development rights for up to six years. The extension was approved by the City of Orange Planning Commission on September 15, 2014, and the Orange City Council on November 25, 2014. Assuming CalOptima makes required public benefit fee payments to the City of Orange, the expiration date for the current development agreement is October 28, 2020.

At the August 4, 2016 meeting, the Board authorized a contract with a real estate consultant to assist in evaluating options related to CalOptima's development rights, and approved a budget allocation of \$22,602 from existing reserves to fund the contract through June 30, 2017.

Discussion

Site Plan Development

Pursuant to the Board action on August, 4, 2016, CalOptima contracted with real estate consultant, Newport Real Estate Services, to provide market research, evaluate development feasibility and financial feasibility, and recommend options based on CalOptima's development rights. To move forward in exploring options related to the development rights, the consultant has recommended the

CalOptima Board Action Agenda Referral
Authorize Vendor Contract(s) and/or Contract Amendment(s) for
Services Related to CalOptima's Development Rights at the 505 City
Parkway Site and Funding to Develop a Site Plan
Page 2

development of a site plan to further inform the Board of potential opportunities. The projected cost to develop a site plan is \$7,000.

Update from the Finance and Audit Committee (FAC)

At the November 17, 2016, meeting, the FAC received presentations from Management and real estate consultant, Newport Real Estate Services. Committee members requested Staff return to the FAC with additional information on the development rights at the next FAC meeting on February 16, 2017. Tentatively, Staff anticipates the FAC's recommendation will be put forward for the full Board's consideration at the March 2, 2017, meeting.

Fiscal Impact

The recommended action to fund the contract with a real estate consultant to develop a site plan is an unbudgeted item. An allocation of \$7,000 from existing reserves will fund this action.

Rationale for Recommendation

Management anticipates that CalOptima's space needs will continue to grow in the near term. To accommodate this growth, management recommends that the Board authorize the CEO to fully explore options available with the existing development rights and to ensure that CalOptima's space needs are adequately met in the future.

Concurrence

Gary Crockett, Chief Counsel

Attachment

CalOptima Board Action dated August 4, 2016, Consider Authorizing Contract with a Real Estate Consultant to Assist in the Evaluation of Options Related to CalOptima's Development Rights and Approve Budget Allocation

/s/ Michael Schrader
Authorized Signature

11/22/2016
Date

CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken August 4, 2016 Regular Meeting of the CalOptima Board of Directors

Report Item

35. Consider Authorizing Contract with a Real Estate Consultant to Assist in the Evaluation of Options Related to CalOptima's Development Rights and Approve Budget Allocation

Contact

Chet Uma, Chief Financial Officer, (714) 246-8400

Recommended Actions

1. Authorize the Chief Executive Officer (CEO) to enter into a contract with a real estate consultant to assist in providing market research, evaluating development feasibility and financial feasibility, and recommend options based on CalOptima's development rights in accordance with the Board-approved procurement process; and
2. Approve allocation of \$22,602 from existing reserves to fund the contract with the selected real estate consultant through June 30, 2017.

Background

In January 2011, CalOptima purchased land and an office building located at 505 City Parkway West, Orange, California, and assumed development rights for the land parcel pursuant to a 2004 Development Agreement with the City of Orange. The development rights include the possible construction of an office tower up to ten stories and 200,000 square feet of office uses, and a maximum five-level, 1,528 space parking structure which was previously approved in 2001. The second office tower and parking structure are referred to as the 605 Building Site. The expiration date for the initial 10 year Development Agreement was October 28, 2014.

At the October 2, 2014, meeting, the CalOptima Board of Directors (Board) authorized the CEO, with the assistance of legal counsel, to enter into an Amended and Restated development agreement with the City of Orange to extend CalOptima's development rights for up to six years. The extension was approved by the City of Orange Planning Commission on September 15, 2014, and the Orange City Council on November 25, 2014. The Amended and Restated Development Agreement requires CalOptima to make public benefit fee payments to the City of Orange in order to extend the termination date by two year increments. The Board approved funding of \$200,000 from existing reserves to make the public benefit fee payments. The following table provides additional information on the public benefit fees.

Payment Amount	Due Date	Agreement Extension Period
First Payment: \$50,000	Within forty-five (45) days of mutual execution of the Agreement	Agreement remains in effect for a period of two (2) years from the original termination date
Second Payment: \$50,000	No later than fifteen (15) days prior to the expiration of the Initial Term	Extends Agreement for an additional two (2) years from the expiration of the Initial Term

Payment Amount	Due Date	Agreement Extension Period
Final Payment: \$100,000	No later than fifteen (15) days prior to the expiration of the First Automatic Renewal Term	Extends Agreement for an additional two (2) years from the expiration of the First Automatic Renewal Term

Assuming all payments are made on time, the end date for the Amended and Restated Development Agreement is October 28, 2020.

Discussion

CalOptima's Development Agreement represents a significant value to CalOptima. In order to understand the best strategic use of these rights, CalOptima requires assistance of a real estate consultant who has expertise and specializes in the area of development rights. The real estate consultant will perform market research, explore options for the development rights, evaluate development feasibility and financial feasibility, and provide recommendations to CalOptima. The proposed evaluation will take into consideration options of new leased space for CalOptima, costs, compliance with internal policies and procedures, requirements of Public Works projects, and possible public-private partnerships.

In light of forthcoming development projects around the 505 City Parkway West building and the number of years remaining under the current Development Agreement, Management believes it is prudent to obtain reliable information expeditiously in order to make a well-informed decision. The CalOptima Fiscal Year (FY) 2016-17 Operating Budget included \$7,398 under Professional Fees for a real estate consultant. Management proposes to make an allocation of \$22,602 from existing reserves to fund the remaining expenses related to the contract with the real estate consultant through June 30, 2017.

Fiscal Impact

The recommended action to authorize the CEO to contract with a real estate consultant to assist in evaluation of options related to CalOptima's development rights will not exceed \$30,000 through June 30, 2017. An allocation of \$22,602 from existing reserves will fund this action.

Rationale for Recommendation

The retention of a real estate consultant to evaluate options related to CalOptima's development rights will provide reliable information to the Board and Management to make informed decisions on long term space planning.

Concurrence

Gary Crockett, Chief Counsel

CalOptima Board Action Agenda Referral
Consider Authorizing Contract with a Real Estate Consultant to
Assist in the Evaluation of Options Related to CalOptima's
Development Rights and Approve Budget Allocation
Page 3

Attachment

Amended and Restated Development Agreement between the City of Orange and Orange County
Health Authority dated December 10, 2014

/s/ Michael Schrader
Authorized Signature

07/29/2016
Date

Ag. 4545.00

EXEMPT FROM RECORDER'S FEES
Pursuant to Government Code §§ 6103 and 27383

Recording requested by and when recorded return to:

City Clerk
City of Orange
300 East Chapman Avenue
Orange, California 92866

Recorded in Official Records, Orange County
Hugh Nguyen, Clerk-Recorder



NO FEE

2014000535189 9:23 am 12/11/14

93 413 A17 35

0.00 0.00 0.00 0.00 102.00 0.00 0.00 0.00

(SPACE ABOVE FOR RECORDER'S USE)

CONFORMED COPY

**AMENDED AND RESTATED
DEVELOPMENT AGREEMENT**

Dated as of *Dec. 10*, 2014

By and Between

**City of Orange,
a municipal corporation**

and

**Orange County Health Authority,
a public agency doing business as CalOptima**

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Exhibits

Exhibit "A"	Legal Description of the 605 Building Site
Exhibit "B"	Resolution No. 9843
Exhibit "C"	Legal Description of the City Tower Two Site
Exhibit "D"	Public Benefit Fees

Ag. 4545.0C

EXEMPT FROM RECORDER'S FEES
Pursuant to Government Code §§ 6103 and 27383

Recording requested by and when recorded return to:

City Clerk
City of Orange
300 East Chapman Avenue
Orange, California 92866

(SPACE ABOVE FOR RECORDER'S USE)

AMENDED AND RESTATED DEVELOPMENT AGREEMENT

This Amended and Restated Development Agreement (the "**Agreement**") is made in Orange County, California as of Dec. 10, 2014, by and between the CITY OF ORANGE, a municipal corporation (the "**City**") and ORANGE COUNTY HEALTH AUTHORITY, a public agency doing business as CalOptima ("**Developer**"). Together, the City and the Developer shall be referred to as the "**Parties**".

1. **Recitals.** This Agreement is made with respect to the following facts and for the following purposes, each of which is acknowledged as true and correct by the Parties:

(a) The City is authorized, pursuant to Government Code §§65864 through 65869.5 (the "**Development Agreement Statutes**") and Chapter 17.44 (Development Agreements) of the Orange Municipal Code to enter into binding agreements with persons or entities having legal or equitable interests in real property for the development of such property in order to establish certainty in the development process.

(b) Developer is the owner of certain real property located in the City and consisting of the parcel commonly referred to the "**605 Building Site**" (legally described on **Exhibit "A"**).

(c) References in this Agreement to the "**Project**" shall mean the 605 Building Site hereinabove described and the development project proposed for such property.

(d) Developer seeks to enhance the vitality of the City by developing additional office and commercial related uses.

(e) Pursuant to Government Code §65867.5 and Orange Municipal Code Section 17.44.100, the City Council finds that: (i) this Agreement and any Future Approvals of the Project implement the goals and policies of the City's General Plan, provide balanced and diversified land uses and impose appropriate standards and requirements with respect to land development and usage in order to maintain the overall quality of life and the environment within the City; (ii) this Agreement is in the best interests of and not in detriment to the public health, safety and general welfare of the residents of the City and the surrounding region; (iii) this

Agreement is compatible with the uses authorized in the zoning district and planning area in which the Project site is located; (iv) adopting this Agreement is consistent with the City's General Plan and constitutes a present exercise of the City's police power; and (v) this Agreement is being entered into pursuant to and in compliance with the requirements of Government Code §65867.

(f) Substantial public benefits (as required by Section 17.44.200 of the Orange Municipal Code) will be provided by Developer and the Project to the entire community. These substantial public benefits include, but are not limited to, the following:

(1) By and through its existence, the Project is and, at the completion of the Project, will continue to be, an enormous benefit and resource to the community;

(2) The Project will provide an expanded economic base for the City by generating substantial property tax revenue;

(3) The Project will provide temporary construction employment and permanent office-based jobs for a substantial number of workers;

(4) The Project, consisting of the 605 Building Site, will contribute traffic impact mitigation fees to the City pursuant to the West Orange Circulation Study ("WOCS Study"), which will partially fund the completion of traffic and circulation infrastructure in the WOCS Study area that will be needed to accommodate demand from future growth; and

(5) The Project will provide for additional sales/use taxes to the City, as provided in Section 7 hereof.

In exchange for these substantial public benefits, City intends to give Developer assurance that Developer can proceed with the development of the Project for the term and pursuant to the terms and the conditions of this Agreement and in accordance with the Applicable Rules (as hereinafter defined).

(g) The Developer has applied for and the City has approved this Agreement in order to create a beneficial project and a physical environment that will conform to and compliment the goals of the City, create a development project sensitive to human needs and values, facilitate efficient traffic circulation, and develop the Project.

(h) This Agreement will bind the City to the terms and obligations specified in this Agreement and will limit, to the degree specified in this Agreement and under the laws of the State of California, the future exercise of the City's ability to delay, postpone, preclude or regulate development on the Project, except as provided for herein.

(i) In accordance with the Development Agreement Statutes, this Agreement eliminates uncertainty in the planning process and provides for the orderly improvement of the Project. Further, this Agreement provides for appropriate further development of the Project over and above the improvements which currently exist on the Project and generally serves the public interest within the City and the surrounding region.

(j) CA-THE CITY LIMITED PARTNERSHIP (the “**Original Developer**”) first filed land use applications in 2001 to entitle four (4) separate development sites which together were to consist of one million one hundred fifty-seven thousand (1,157,000) square feet of office space and a one hundred thirty-seven (137) room hotel (collectively, the “**EOP Projects**”). Those land use applications included applications for a Conditional Use Permit(s) and Major Site Plan Review(s). In addition, the Original Developer filed for negotiations and approval of that certain Development Agreement, dated as of December 13, 2004, by and between the City of Orange and the Original Developer (the “**Original Development Agreement**”). The City processed the various applications and commissioned the preparation of the Final Environmental Impact Report (FEIR) 1612-01 for the Original Development Agreement and the 2001 land use applications (the “**Final EIR**”), which was certified in accordance with the California Environmental Quality Act (“**CEQA**”). On October 9, 2001, the City certified the Final EIR and approved the various applications for the entitlements for the EOP Projects including Resolution No. 9521 with respect to the 605 Building Site.

(1) The Final EIR evaluated the EOP Projects, all of which were located in the area within or adjacent to the former “**The Block at Orange**” which has been rebranded to “**The Outlets at Orange**.” A trip generation survey was conducted and the Final EIR determined that the EOP Projects, upon completion, would generate a total of thirteen thousand eight hundred seventy-six (13,876) average daily trips. The Final EIR designated separate average daily trip generation estimates for each of the EOP Projects based upon the estimated development square footage of each of the EOP Projects.

(2) As part of its approval of the EOP Projects, the City imposed various traffic mitigation conditions, including:

(A) a “fair share” allocation of the cost of certain traffic improvements identified in the WOCS Study (the “**WOCS Improvements**”);

(B) the obligation to pay one hundred percent (100%) of the cost of specific traffic improvements at three (3) designated intersections; and

(C) a “fair share” of the cost of widening the Orangewood Avenue bridge over the Santa Ana River.

The traffic improvements described in (B) and (C) are herein referred as the “**Traffic Improvement Conditions**”.

(3) The WOCS Study estimated the cost of the WOCS Improvements to be approximately Three Million Five Hundred Thousand Dollars (\$3,500,000.00) and assigned “fair share” costs for such improvements to the following projects:

(A) UCI Medical Center Expansion – thirty-two percent (32%);

(B) EOP Projects – thirty-eight percent (38%); and

(C) The Outlets at Orange Expansion – thirty percent (30%).

(4) On March 9, 2004, the City adopted Resolution No. 9843 in which the City determined that the "fair share" of the EOP Projects for the WOCS Improvements and the Traffic Improvement Conditions would be as set forth in Exhibit "A" to Resolution No. 9843. A copy of Resolution No. 9843 is attached hereto as **Exhibit "B"**.

(k) In 2004, in response to the Original Developer's application for the Original Development Agreement, the City felt that it would be helpful to provide the public with information updating and amplifying some of the points raised in the Final EIR as they pertain to the EOP Projects. Accordingly, and as provided in Section 15164 of the State California Environmental Quality Act Guidelines (the "**CEQA Guidelines**"), the City prepared an Addendum to the Final EIR (the "**Addendum**"). On August 16, 2004, the Planning Commission held a duly noticed public hearing on the Original Developer's application for the Original Development Agreement and the Addendum, which were approved by Resolution No. PC 33-04 and recommended to the City Council of the City approval. On September 14, 2004, the City Council held a duly noticed public hearing on the Original Developer's application for the Original Development Agreement and the Addendum, and adopted Resolution No. 9909, making certain findings under CEQA and determined that the Addendum is all that is necessary in connection with the Original Development Agreement and the approval thereof. Thereafter, at its regular meeting of September 14, 2004, the City Council adopted its Ordinance No. 19-04 approving the Original Development Agreement.

(l) In January 2006, the City and the Original Developer amended the Original Development Agreement by entering into that certain First Amendment to Development Agreement dated as of January 20, 2006, the original of which was recorded in the Official Records as Instrument No. 2006000051175 on January 24, 2006 (herein referred as the "**First Amendment**").

(m) In October 2006, the City and the Original Developer further amended the Original Development Agreement by entering into that certain Second Amendment to Development Agreement dated as of October 5, 2006, the original of which was recorded in the Official Records as Instrument No. 2006000698031 on October 17, 2006 (herein referred as the "**Second Amendment**").

(n) In January 2007, the City and the Original Developer entered into that certain Operating Memorandum dated as of January 22, 2007 (hereinafter referred as "**First Operating Memorandum**") as it relates to the amendment to certain covenants, conditions and restrictions governing the expansion of the Block at Orange (the "**Block Expansion**").

(o) In 2007, the Original Developer and Maguire Properties-City Plaza, LLC and Maguire Properties-City Parkway, LLC entered into that certain Assignment and Assumption Agreement dated April 23, 2007, the original of which was recorded in the Official Records as Instrument No. 2007000271600 on April 26, 2007 (herein referred as the "**Maguire Agreement**"). The terms of the Maguire Agreement transferred and assigned the development rights related to City Plaza Two Site and 605 Building Site (as defined in the Original Development Agreement) from the Original Developer to Maguire Properties-City Plaza, LLC and Maguire-City Parkway, LLC, respectively.

(p) In August 2008, Maguire Properties-City Plaza, LLC and HFOP City Plaza, LLC (“**HFOP**”) entered into that certain Partial Assignment and Assumption of Development Agreement dated August 26, 2008, the original of which was recorded in the Official Records as Instrument No. 2008000406579 on August 27, 2008 (herein referred as the “**HFOP Agreement**”). The terms of the HFOP Agreement transferred and assigned development rights related to City Plaza Two Site from Maguire Properties-City Plaza, LLC to HFOP.

(q) In May 2009, Maguire Properties-City Parkway, LLC and AB-City Parkway, LLC entered into that certain Partial Assignment and Assumption of Development Agreement dated May 27, 2009, the original of which was recorded in the Official Records as Instrument No. 2009000268530 on May 28, 2009 (herein referred as the “**AB Agreement**”). The terms of the AB Agreement transferred and assigned development rights related to 605 Building Site from Maguire Properties-City Parkway, LLC to AB-City Parkway, LLC.

(r) In January 2011, Developer and AB-City Parkway, LLC entered into that certain Partial Assignment and Assumption of Development Agreement dated January 7, 2011, the original of which was recorded in the Official Records as Instrument No.2011000013726 on January 7, 2011 (herein referred as the “**CalOptima Agreement**”). The terms of the CalOptima Agreement transferred and assigned development rights related to 605 Building Site from AB-City Parkway, LLC to Developer. The Original Development Agreement, as amended and assigned by the First Amendment, the Second Amendment, the First Operating Memorandum, the Maguire Agreement, the HFOP Agreement, the AB Agreement, and the CalOptima Agreement, is herein referred to as the “**Amended Development Agreement**”.

(s) The Developer represents to the City that, as of the date hereof, it is the owner of the Project, subject to encumbrances, easements, covenants, conditions, restrictions, and other matters of record.

(t) The Parties acknowledge and agree that the term of the Amended Development Agreement expires on October 28, 2014 (the “**Original Termination Date**”). Developer has requested, and the City has agreed, to extend the term of the Amended Development Agreement, subject to the terms hereof.

(u) In order to effectuate the extension of the term of the Amended Development Agreement, the Parties hereby agree to amend and restate in its entirety the Amended Agreement as set forth below.

2. **Definitions.** In this Agreement, unless the context otherwise requires:

(a) “**Applicable Rules**” means the development standards and restrictions set forth in Section 5 of this Agreement which shall govern the use and development of the Project and shall amend and supersede any conflicting or inconsistent provisions of zoning ordinances, regulations or other City requirements relating to development of property within the City.

(b) “**Development Agreement Statutes**” means Government Code §§ 65864 to 65869.5.

(c) **"Discretionary Actions" and "Discretionary Approvals"** are actions which require the exercise of judgment or a discretionary decision, and which contemplate and authorize the imposition of revisions or additional conditions, by the City, including any board, commission, or department of the City and any officer or employee of the City; as opposed to actions which in the process of approving or disapproving a permit or other entitlement merely requires the City, including any board, commission, or department of the City and any officer or employee of the City, to determine whether there has been compliance with applicable statutes, ordinances, regulations, or conditions of approval.

(d) **"Effective Date"** is the date the ordinance approving the Original Development Agreement became effective, which was October 28, 2004.

(e) **"Future Approvals"** means any action in implementation of development of the Project which requires Discretionary Approvals pursuant to the Applicable Rules, including, without limitation, parcel maps, tentative subdivision maps, development plan and site plan reviews, and conditional use permits. Upon approval of any of the Future Approvals, as they may be amended from time to time, they shall become part of the Applicable Rules, and Developer shall have a "vested right", as that term is defined under California law, in and to such Future Approvals by virtue of this Agreement.

(f) Other terms not specifically defined in this Agreement shall have the same meaning as set forth in Chapter 17.44 (Development Agreements) of the Orange Municipal Code, as the same existed on the Effective Date.

3. **Binding Effect.** This Agreement, and all of the terms and conditions of this Agreement shall, to the extent permitted by law, constitute covenants which shall run with the land comprising the Project for the benefit thereof, and the benefits and burdens of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective assigns, heirs, or other successors in interest.

4. **Negation of Agency.** The Parties acknowledge that, in entering into and performing under this Agreement, each is acting as an independent entity and not as an agent of the other in any respect. Nothing contained herein or in any document executed in connection herewith shall be construed as making the City and Developer joint venturers, partners, agents of the other, or employer/employee.

5. **Development Standards for the Project, Applicable Rules.** The development standards and restrictions set forth in this Section shall govern the use and development of the Project and shall constitute the Applicable Rules, except as otherwise provided herein, and shall amend and supersede any conflicting or inconsistent provisions of existing zoning ordinances, regulations or other City requirements relating to development of the Project and any subsequent changes to the Applicable Rules as specifically described in Section 5(c).

(a) The following ordinances and regulations shall be part of the Applicable Rules:

(1) The City's General Plan as it existed on the Effective Date;

(2) The City's Municipal Code relating to Development Agreements which is set forth in Chapter 17.44 of the Orange Municipal Code, as it existed on the Effective Date; and

(3) Such other ordinances, rules, regulations, and official policies governing permitted uses of the Project, density, design, improvement, and construction standards and specifications applicable to the development of the Project in force on the Effective Date, except as they may be in conflict with the provision of Subsection (a)(4) of this Section.

(4) The terms, provisions and conditions of the following with respect to each Project as hereinafter described:

(A) Conditional Use Permit No. 2379-01 and Major Site Plan Review No. 107-99 for the 605 Building Site; and

(B) The "fair share" of the Project for the WOCS Improvements and the Traffic Improvement Conditions as set forth in Resolution No. 9843.

(b) The City acknowledges that the Original Developer sold one (1) of the EOP Projects legally described on Exhibit "C" attached hereto and commonly referred to as the "**City Tower Two Site**" to a third party and, the City granted approvals to allow such third party to develop a residential project on the City Tower Two Site. The City further acknowledges that the average daily trips which would be generated by the proposed residential project may be substantially less than the average daily trips that would have been generated by the original project for the City Tower Two Site as identified in the Final EIR. The City hereby agrees and acknowledges that the traffic impacts identified in the Final EIR were studied on an area-wide basis and that the Final EIR adequately studied and determined the traffic impacts and relevant mitigation measures required for such traffic impacts. Accordingly, the City hereby agrees that the difference between the average daily trips allocated to the original City Tower Two Site and the average daily trips which are determined to be generated by the residential project (or other project) located on the City Tower Two Site and approved by the City (the "**Unused Trips**") may be "transferred" to the Project during the term of this Agreement (it being the intention of the Parties that the Unused Trips shall be reserved for the benefit of Developer and the Project and, without the prior written consent of Developer, such Unused Trips shall not be applied to or reserved for the benefit of any other project that is subject to approval by the City).

(c) The Project shall not be required to pay any portion of the "fair share" of the WOCS Improvements and/or Traffic Improvement Conditions payable by or as a result of any project approved by the City on the City Tower Two Site.

(d) The "fair share" of the Project shall not be increased as a result of the failure by the City to recover (for whatever reason) the "fair share" contributions of the UCI Medical Center Expansion and/or The Block at Orange Expansion, nor shall the cost of the WOCS Improvements and the Traffic Improvement Conditions be deemed to be increased as a result of such failure.

(e) Notwithstanding the provisions of this Agreement, the City reserves the right to apply certain other laws, ordinances and regulations under the certain limited circumstances described below:

(1) This Agreement shall not prevent the City from applying new ordinances, rules, regulations and policies relating to uniform codes adopted by City or by the State of California, such as the Uniform Building Code, National Electrical Code, Uniform Mechanical Code or Uniform Fire Code, as amended, and the application of such uniform codes to the Project at the time of application for issuance of building permits for structures on the Project including such amendments to uniform codes as the City may adopt from time to time.

(2) In the event that State or Federal laws or regulations prevent or preclude compliance with one or more of the provisions of this Agreement, such provisions of this Agreement shall be modified or suspended as may be necessary to comply with such State or Federal laws or regulations; provided, however, that this Agreement shall remain in full force and effect to the extent it is not inconsistent with such laws or regulations and to the extent such laws or regulations do not render such remaining provisions impractical to enforce. Notwithstanding the foregoing, City shall not adopt or undertake any regulation, program or action or fail to take any action which is inconsistent or in conflict with this Agreement until, following meetings and discussions with the Developer, the City Council makes a finding, at or following a noticed public hearing, that such regulation, program actions or inaction is required (as opposed to permitted) to comply with such State and Federal laws or regulations after taking into consideration all reasonable alternatives.

(3) Notwithstanding anything to the contrary in this Agreement, City shall have the right to apply City ordinances and regulations (including amendments to Applicable Rules) adopted by the City after the Effective Date, in connection with any Future Approvals, or deny, or impose conditions of approval on, any Future Approvals in City's sole discretion if such application is required to prevent a condition dangerous to the physical health or safety of existing or future occupants of the Project, or any portion thereof or any lands adjacent thereto.

6. **Right to Develop.** Subject to the terms of this Agreement, and as of the Effective Date, Developer shall have a vested right to develop the Project in accordance with the Applicable Rules.

7. **Acknowledgments, Agreements and Assurances on the Part of the Developer.**

(a) **Developer's Faithful Performance.** The Parties acknowledge and agree that Developer's performance in developing the Project and in constructing and installing certain public improvements and complying with the Applicable Rules will fulfill substantial public needs. The City acknowledges and agrees that there is good and valuable consideration to the City resulting from Developer's assurances and faithful performance thereof and otherwise in this Agreement, and that same is in balance with the benefits conferred by the City on the Project. The Parties further acknowledge and agree that the exchanged consideration hereunder is fair, just and reasonable.

(b) **Obligations to be Non-Recourse.** As a material element of this Agreement, and as an inducement to Developer to enter into this Agreement, each of the Parties understands and agrees that the City's remedies for breach of the obligations of Developer under this Agreement shall be limited as described in this Agreement.

(c) **Developer's Commitment Regarding California Sales/Use Taxes.** To the extent permitted by law, Developer will require in its general contractor construction contract that Developer's general contractor and subcontractors exercise their option to obtain a Board of Equalization sales/use tax subpermit for the jobsite at the project site and allocate all eligible use tax payments to the City. Further, to the extent permitted by law, Developer will require in its general contractor construction contract that prior to beginning construction of the project, the general contractor and subcontractors will provide the City with either a copy of the subpermit, or a statement that sales/use tax does not apply to their portion of the job, or a statement that they do not have a resale license which is a precondition to obtaining a subpermit. Further, to the extent permitted by law, Developer will use its best efforts to require in its general contractor construction contract that (1) the general contractor or subcontractor shall provide a written certification that the person(s) responsible for filing the tax return understands the process of reporting the tax to the City and will do so in accordance with the City's conditions of project approval as contained in this Agreement; (2) the general contractor or subcontractor shall, on its quarterly sales/use tax return, identify the sales/use tax applicable to the construction site and use the appropriate Board of Equalization forms and schedules to ensure that the tax is allocated to the City of Orange; (3) in determining the amounts of sales/use tax to be paid, the general contractor or subcontractor shall follow the guidelines set forth in Section 1806 of Sales and Use Tax Regulations; (4) the general contractor or subcontractor shall submit an advance copy of his tax return(s) to the City for inspection and confirmation prior to submittal to the Board of Equalization; and (5) in the event it is later determined that certain eligible sales/use tax amounts were not included on general contractor's or subcontractor's sales/use tax return(s), general contractor and subcontractor agree to amend those returns and file them with the Board of Equalization in a manner that will ensure the City receives such additional sales/use tax as City may be eligible to receive from the project for which that particular contractor and its subcontractors were responsible.

During the term of this Agreement, to the extent permitted by law, Developer shall do one of the following: (1) Developer will review the Direct Payment Permit Process established under State Revenue and Taxation Code Section 7051.3 and, if eligible, acquire and use the permit so that the local share of its sales/use tax payments is allocated to the City; Developer will provide City with either a copy of the direct payment permit or a statement certifying ineligibility to qualify for the permit; Developer will further work with the City to inform all tenants about the Direct Payment Permit Process and encourage their participation, if qualified; or (2) Developer shall make use of its resale license issued by the Board of Equalization to exempt from sales/use taxes Developer's significant equipment purchases relating to the project site from vendors and to direct pay all sales/use tax to the Board of Equalization with the City of Orange as the point of sale for such purchases; in connection with the foregoing, Developer shall provide to the City the vendor names, a description of the equipment to be purchased, the purchase amounts for any out-of-state or out-of-country purchases exceeding \$500,000, and a copy of the applicable quarterly sales/use tax reflecting payment of the sales/use tax so long as the confidentiality thereof is protected in a manner consistent with the restrictions imposed by Revenue and Taxation Code Section 7056.

City agrees to cause City's sales and use tax consultant, which is presently the HdL Companies, to reasonably cooperate with Developer, Developer's general contractor(s) and the general contractors' subcontractors to maximize City's receipt of sales/use tax hereunder.

(d) **Limitation on Parking.** Developer acknowledges and agrees that the total amount of parking to be constructed by Developer in connection with the Project shall not exceed the maximum authorized parking set forth in Conditional Use Permit No. 2379-01.

8. **Acknowledgments, Agreements and Assurances on the Part of the City.** In order to effectuate the provisions of this Agreement, and in consideration for the Developer to obligate itself to carry out the covenants and conditions set forth in the preceding Section of this Agreement, the City hereby agrees and assures Developer that Developer will be permitted to carry out and complete the development of the Project in accordance with the Applicable Rules, subject to the terms and conditions of this Agreement and the Applicable Rules. Therefore, the City hereby agrees and acknowledges that:

(a) **Entitlement to Develop.** The Developer is hereby granted the vested right to develop the Project to the extent and in the manner provided in this Agreement, subject to the Applicable Rules and the **Future Approvals.**

(b) **Conflicting Enactments.** Except as provided in Subsection (e) of Section 5 above, any change in the Applicable Rules, including, without limitation, any change in any applicable general area or specific plan, zoning, subdivision or building regulation, adopted or becoming effective after the Effective Date, including, without limitation, any such change by means of a Future Approval, an ordinance, initiative, resolution, policy, order or moratorium, initiated or instituted for any reason whatsoever and adopted by the Council, the Planning Commission or any other board, commission or department of City, or any officer or employee thereof, or by the electorate, as the case may be, which would, absent this Agreement, otherwise be applicable to the Project and which would conflict in any way with or be more restrictive than the Applicable Rules ("Subsequent Rules"), shall not be applied by City to any part of the Project. Developer may give City written notice of its election to have any Subsequent Rule applied to such portion of the Project as it may own, in which case such Subsequent Rule shall be deemed to be an Applicable Rule insofar as that portion of the Project is concerned.

(c) **Permitted Conditions.** Provided Developer's applications for any Future Approvals are consistent with this Agreement and the Applicable Rules, City shall grant the Future Approvals in accordance with the Applicable Rules and authorize development of the Project for the uses and to the density and regulations as described herein. City shall have the right to impose reasonable conditions in connection with Future Approvals and, in approving tentative subdivision maps, impose dedications for rights of way or easements for public access, utilities, water, sewers, and drainage necessary for the Project or other developments on the Project; provided, however, that such conditions and dedications shall not be inconsistent with the Applicable Rules in effect prior to imposition of the new requirement nor inconsistent with the development of the Project as contemplated by this Agreement; and provided further that such conditions and dedication shall not impose additional infrastructure or public improvement obligations in excess of those identified in this Agreement or normally imposed by the City. In connection with a Future Approval, Developer may protest any conditions, dedications or fees to the City Council or as

otherwise provided by City rules or regulations while continuing to develop the Project; such a protest by Developer shall not delay or stop the issuance of building permits or certificates of occupancy unless otherwise provided in the Applicable Rules.

(d) **Timing of Development.** Because the California Supreme Court held in *Pardee Construction Co. v. City of Camarillo*, 37 Cal.3d 465 (1984) that failure of the parties to provide for the timing of development resulted in a later adopted initiative restricting the timing of development to prevail over the parties' Agreement, it is the intent of Developer and the City to cure that deficiency by acknowledging and providing that Developer shall have the right (without the obligation) to develop the Project in such order and at such rate and at such time as it deems appropriate within the exercise of its subjective business judgment, subject to the terms of this Agreement.

(e) **Moratorium.** No City-imposed moratorium or other limitation (whether relating to the rate, timing or sequencing of the development or construction of all or any part of the Project whether imposed by ordinance, initiative, resolution, policy, order or otherwise, and whether enacted by the Council, an agency of City, the electorate, or otherwise) affecting parcel or subdivision maps (whether tentative, vesting tentative or final), building permits, occupancy certificates or other entitlements to use or service (including, without limitation, water and sewer, should the City ever provide such services) approved, issued or granted within City, or portions of City, shall apply to the Project to the extent such moratorium or other limitation is in conflict with this Agreement and/or the Applicable Rules.

(f) **Permitted Fees and Exactions.** Certain development impact and processing fees have been imposed on the Project as conditions of the Existing Project Approvals (including, by way of example but not limited to, TSIP Fees, park facility fees, library facility fees, policy facility fees and fire facility fees), which impact and processing fees are in existence on the Effective Date ("**Development Project Fees**"). Development Project Fees applicable to the Project, together with any processing fees charged by the City for the City's administrative time and related costs incurred in preparing and considering any application for the Project, shall be assessed in the amount they exist at the time Developer becomes liable to pay such fees, provided that such fees shall not exceed the fees that are charged by the City generally to all other applicants similarly situated, on a non-discriminatory basis for similar approvals, permits, or entitlements granted by City. During the term of this Agreement, the City shall be precluded from applying any development impact fee that does not exist as of the Effective Date, except for an impact fee the City may adopt on a City-wide basis for administrative facility capital improvements. This provision does not authorize City to impose fees on the Project that could not be imposed in the absence of this Agreement. Except as otherwise provided in this Agreement, City shall only charge and impose those fees and exactions, including, without limitation, dedications and any other fees or taxes (including excise, construction or any other taxes) relating to development or the privilege of developing the Project as set forth in the Applicable Rules described in Section 5 of this Agreement; provided, however, that Section 5 shall not apply to the following fees and taxes and shall not be construed to limit the authority of City to:

(1) Impose or levy general or special taxes, including but not limited to, property taxes, sales taxes, parcel taxes, transient occupancy taxes, business taxes, which may be applied to the Project or to businesses occupying the Project; provided, however, that the tax is of

general applicability citywide and does not burden the Project disproportionately to other development within the City; or

(2) Collect such fees or exactions as are imposed and set by governmental entities not controlled by City but which are required to be collected by City.

(g) **Project Mitigation**. The Developer shall undertake and complete the mitigation requirements of the Existing Project Approvals. These requirements shall be satisfied within the time established therefor in the Existing Project Approvals.

9. **Cooperation and Implementation**. The City and Developer agree that they will cooperate with one another to the fullest extent reasonable and feasible to implement this Agreement. Upon satisfactory performance by Developer of all required preliminary conditions of approval, actions and payments, the City will commence and in a timely manner proceed to complete all steps necessary for the implementation of this Agreement and the development of the Project in accordance with the terms of this Agreement. Developer shall, in a timely manner, provide the City with all documents, plans, and other information necessary for the City to carry out its obligations. Additionally:

(a) **Further Assurances: Covenant to Sign Documents**. Each party shall take all actions and do all things, and execute, with acknowledgment or affidavit, if required, any and all documents and writings, including estoppel certificates, that may be necessary or proper to achieve the purposes and objectives of this Agreement.

(b) **Reimbursement and Apportionment**. Nothing in this Agreement precludes City and Developer from entering into any reimbursement agreements for reimbursement to the Developer of the portion (if any) of the cost of any dedications, public facilities and/or infrastructure that City, pursuant to this Agreement, may require as conditions of the Future Approvals agreed to by the Parties, to the extent that they are in excess of those reasonably necessary to mitigate the impacts of the Project or development on the Project.

(c) **Processing**. Upon satisfactory completion by Developer of all required preliminary actions and payments of appropriate processing fees, if any, City shall, subject to all legal requirements, promptly initiate, diligently process, and complete all required steps, and promptly act upon any approvals and permits necessary for the development by Developer in accordance with this Agreement, including, but not limited to, the following:

(1) the processing of applications for and issuing of all discretionary approvals requiring the exercise of judgment and deliberation by City, including without limitation, the Future Approvals;

(2) the holding of any required public hearings; and

(3) the processing of applications for and issuing of all ministerial approvals requiring the determination of conformance with the Applicable Rules, including, without limitation, site plans, grading plans, improvement plans, building plans and specifications, and ministerial issuance of one or more final maps, grading permits, improvement permits, wall permits, building permits, lot line adjustments, encroachment permits, temporary use permits,

certificates of use and occupancy and approvals and entitlements and related matters as necessary for the completion of the development of the Project ("**Ministerial Approvals**").

(d) **Processing During Third Party Litigation.** The filing of any third party lawsuit(s) against City and Developer relating to this Agreement or to other development issues affecting the Project shall not delay or stop the development, processing or construction of the Project, approval of the Future Approvals, or issuance of Ministerial Approvals, unless the third party obtains a court order preventing the activity. City shall not stipulate to or fail to oppose the issuance of any such order.

(e) **Defense of Agreement.** City agrees to and shall timely take all actions which are necessary or required to uphold the validity and enforceability of this Agreement and the Applicable Rules, subject to the indemnification provisions of this Section. Developer shall indemnify, protect and hold harmless, the City and any agency or instrumentality thereof, and/or any of its officers, employees, and agents from any and all claims, actions, or proceedings against the City, or any agency or instrumentality thereof, or any of its officers, employees and agents, to attack, set aside, void, annul, or seek monetary damages resulting from an approval of the City, or any agency or instrumentality thereof, advisory agency, appeal board or legislative body including actions approved by the voters of the City, concerning this Agreement. The City shall promptly notify the Developer of any claim, action, or proceeding brought forth within this time period. The Developer and City shall select joint legal counsel to conduct such defense and which legal counsel shall represent both the City and Developer in the defense of such action. The City in consultation with Developer shall estimate the cost of the defense of the action and Developer shall deposit said amount with the City. City may require additional deposits to cover anticipated costs. City shall refund, without interest, any unused portions of the deposit once the litigation is finally concluded. Should the City fail to either promptly notify or cooperate fully, Developer shall not thereafter be responsible to indemnify, defend, protect, or hold harmless the City, any agency or instrumentality thereof, or any of its officers, employees, or agents. Should the Developer fail to post the required deposit within five (5) working days from notice by City, City may terminate this Agreement pursuant to its terms. If City elects to terminate this Agreement pursuant to this Section, it shall do so by written notice to Developer, whereupon this Agreement shall terminate, expire and have no further force or effect as to the Project. Thereafter, the terminating party's indemnity and defense obligations pursuant to this Agreement shall have no further force or effect as to acts or omissions from and after the effective date of said termination.

10. **Compliance; Termination; Modifications and Amendments.**

(a) **Review of Compliance.** The City's Director of Community Development (or designee) shall review this Development Agreement once each year, on or before each anniversary of the Effective Date ("**Periodic Review**"), in accordance with this Section, and the Applicable Rules and the City's Municipal Code in order to determine whether or not Developer is out-of-compliance with any specific term or provision of this Agreement. At commencement of each Periodic Review, the Director shall notify Developer in writing that the Periodic Review will commence or has commenced.

(b) **Prima Facie Compliance.** Within thirty (30) days after receipt of the Director's notice that the Periodic Review will commence or has commenced (and unless

Developer requests and is granted a waiver by the City), Developer shall demonstrate that it has, during the preceding twelve (12) month period, been in reasonable prima facie compliance with this Agreement. For purposes of this Agreement, the phrase "reasonable prima facie compliance" shall mean that Developer has demonstrated that it has acted in accordance with this Agreement.

(c) **Notice of Non-Compliance, Cure Rights.** If during any Periodic Review, the Director reasonably concludes that (i) Developer has not demonstrated that it is in reasonable prima facie compliance with this Agreement, and (ii) Developer is out of compliance with a specific, substantive term or provision of this Agreement, then the Director may issue and deliver to Developer a written notice of non-compliance ("**Notice of Non-Compliance**") detailing the specific reasons for non-compliance (including references to sections and provisions of this Agreement and Applicable Rules which have allegedly been breached) and a complete statement of all facts demonstrating such non-compliance. Developer shall have thirty (30) calendar days following its receipt of the Notice of Non-compliance in which to cure said failure(s); provided, however, that if any one or more of the item(s) of non-compliance set forth in the Notice of Non-compliance cannot reasonably be cured within said thirty (30) calendar day period, then Developer shall not be in breach of this Agreement if it commences to cure said item(s) within said thirty (30) day period and diligently prosecutes said cure to completion. Upon completion of each Periodic Review, the Director shall submit a report to the City Council if the Director determines that Developer has not satisfactorily demonstrated reasonable prima facie compliance with this Agreement. The Director shall submit a report to the City Council stating what steps have been taken by the Director or what steps the Director recommends that the City subsequently take with reference to the alleged non-compliance. (If the Director determines that the Developer has demonstrated reasonable prima facie compliance with this Agreement, the Director will not be required to submit a report to the City Council.) Non-performance by either party shall be excused when it is delayed unavoidably and beyond the reasonable control of the Parties as a result of any of the events identified in Section 19 of this Agreement.

(d) **Termination of Development Agreement as to Breaching Party.** If Developer fails to timely cure any item(s) of non-compliance set forth in a Notice of Non-compliance, then the City shall have the right, but not the obligation, to initiate proceedings for the purpose of terminating this Agreement. Such proceedings shall be initiated by notice to the Developer, followed by meetings between the Developer and the City for the purpose of good faith negotiations between the Parties to resolve the dispute. If the City determines to terminate this Agreement following a reasonable number of meetings and a reasonable opportunity for the Developer to cure any non-performance, the City shall give Developer written notice of its intent to so terminate this Agreement, specifying the precise grounds for termination and setting a date, time and place for a public hearing on the issue, all in compliance with the Development Agreement Statutes. At the noticed public hearing, Developer and/or its designated representative shall be given an opportunity to make a full and public presentation to the City. If, following the taking of evidence and hearing of testimony at said public hearing, the City finds, based upon a preponderance of evidence, that the Developer has not demonstrated compliance with this Agreement, and that Developer is out of material compliance with a specific, substantive term or provision of this Agreement, then the City may (unless the Parties otherwise agree in writing) terminate this Agreement.

(e) **Notice and Opportunity to Cure if City Breaches.** If at any time Developer reasonably concludes that (1) City has not acted in prima facie compliance with this Agreement, and (ii) City is out of compliance with a specific, substantive term or provision of this Agreement, then Developer may issue and deliver to City written notice of City's non-compliance, detailing the specific reasons for non-compliance (including references to sections and provisions of this Agreement which have allegedly been breached) and a complete statement of all facts demonstrating such non-compliance. Developer shall also meet with the City as appropriate to discuss any alleged non-compliance on the part of the City. City shall have thirty (30) calendar days following its receipt of the Notice of Non-compliance in which to cure said failure(s); provided, however, that if any one or more of the item(s) of non-compliance set forth in the Notice of Non-compliance cannot reasonably be cured within said thirty (30) calendar day period, then City shall not be in breach of this Agreement if it commences to cure said item(s) within said thirty (30) day period and diligently prosecutes said cure to completion.

(f) **Modification or Amendment, of Development Agreement.** Subject to the notice and hearing requirements of the applicable Development Agreement Statutes, this Agreement may be modified or amended from time to time only with the written consent of Developer and the City or their successors and assigns in accordance with the provisions of the Municipal Code and Government Code §65868.

(g) **No Cross-Default.** Notwithstanding anything set forth in this Agreement to the contrary, in no event shall the breach of or default under this Agreement by Developer with respect to the Project constitute a breach of or default under this Agreement or any other agreement with respect to any other development project. In other words, the Project identified in this Agreement shall stand alone for purposes of its compliance with the terms, provisions and requirements of this Agreement and any other agreement between the City and Developer.

11. **Operating Memoranda.** The provisions of this Agreement require a close degree of cooperation between City and Developer. The anticipated refinements to the Project and other development activity at the Project may demonstrate that clarifications to this Agreement and the Applicable Rules are appropriate with respect to the details of performance of City and Developer. If and when, from time to time during the term of this Agreement, City and Developer agree that such clarifications are necessary or appropriate, they shall effectuate such clarifications through operating memoranda approved in writing by the City and Developer which, after execution, shall be attached hereto and become a part of this Agreement, and the same may be further clarified from time to time as necessary with future written approval by City and Developer. Operating memoranda are not intended to constitute an amendment to this Agreement but mere ministerial clarifications; therefore, no public notice or hearing shall be required. The City Attorney shall be authorized, upon consultation with and approval of Developer, to determine whether a requested clarification may be effectuated pursuant to this Section or whether the requested clarification is of such a character to constitute an amendment hereof which requires compliance with the provisions of Section 10(f) above. The authority to enter into such operating memoranda is hereby delegated to the City Manager and the City Manager is hereby authorized to execute any operating memoranda hereunder without further action by the City Council.

12. **Term of Agreement.** This Agreement shall become operative and shall commence upon the date the ordinance approving this Agreement becomes effective. Subject to payment by

Developer of the “**Public Benefit Fees**” that are applicable in the amounts and at the times identified on **Exhibit “D”** attached hereto, this Agreement shall remain in effect for a period of up to six (6) years from the Original Termination Date unless this Agreement is terminated, modified or extended upon mutual written consent of the Parties hereto or as otherwise provided in this Agreement. Unless otherwise agreed to by the City and Developer, Developer’s failure to pay any portion of the Public Benefit Fees within the time period set forth on **Exhibit “D”** shall be deemed Developer’s election not to extend the term of this Agreement. In no event shall the Public Benefit Fees be supplemented, raised or increased above the amounts identified on **Exhibit “D”**.

(a) **First Payment of Public Benefit Fees.** Within forty-five (45) days of mutual execution of this Agreement by the Developer and the City, Developer shall pay to the City the First Public Benefit Fee (as defined on **Exhibit “D”**). Upon payment by Developer to the City of the First Public Benefit Fee, this Agreement shall remain in effect for a period of two (2) years from the Original Termination Date (such two (2) year period being the “**Initial Term**”).

(b) **Second Payment of Public Benefit Fees.** If Developer elects, in its sole and absolute discretion, to extend this Agreement beyond the Initial Term, then Developer shall pay to the City the Second Public Benefit Fee (as defined on **Exhibit “D”**) no later than the time set forth on **Exhibit “D”**. Upon payment by Developer to the City of the Second Public Benefit Fee, this Agreement shall be automatically extended for an additional two (2) years from the expiration of the Initial Term (such two (2) year period being the “**First Automatic Renewal Term**”).

(c) **Final Payment of Public Benefit Fees.** If Developer elects, in its sole and absolute discretion, to further extend this Agreement beyond the First Automatic Renewal Term, then Developer shall pay to the City the Third Public Benefit Fee (as defined on **Exhibit “D”**) no later than the time set forth on **Exhibit “D”**. Upon payment by Developer to the City of the Third Public Benefit Fee, this Agreement shall be automatically extended for an additional two (2) years from the expiration of the First Automatic Renewal Term.

(d) Following expiration or termination of the term hereof, this Agreement shall be deemed terminated and of no further force and effect; provided, however, that no such expiration or termination shall automatically affect any right of the City and Developer arising from City approvals on the Project prior to expiration or termination of the term hereof or arising from the duties of the Parties as prescribed in this Agreement.

13. **Administration of Agreement and Resolution of Disputes.**

(a) **Administration of Disputes.** All disputes involving the enforcement, interpretation or administration of this Agreement (including, but not limited to, decisions by the City staff concerning this Agreement and any of the projects or other matters concerning this Agreement which are the subject hereof) shall first be subject to good faith negotiations between the Parties to resolve the dispute. In the event the dispute is not resolved by negotiations, the dispute shall then be heard and decided by the City Council. Thereafter, any decision of the City Council which remains in dispute shall be appealed to, heard by, and resolved pursuant to the Mandatory Alternative Dispute Resolution procedures set forth in Section 13(b) hereinbelow.

Unless the dispute is resolved sooner, City shall use diligent efforts to complete the foregoing City Council review within thirty (30) days following receipt of a written notice of default or dispute notice. Nothing in this Agreement shall prevent or delay Developer or City from seeking a temporary or preliminary injunction in state or federal court if it believes that injunctive relief is necessary on a more immediate basis.

(b) **Mandatory Alternative Dispute Resolution.** After the provisions of Section 13(a) above have been complied with, and pursuant to Code of Civil Procedure §638, *et seq.*, all disputes regarding the enforcement, interpretation or administration of this Agreement (including, but not limited to, appeals from decisions of the City Council, all matters involving Code of Civil Procedure §1094.5, all Ministerial Approvals, Discretionary Approvals, Future Approvals and the application of Applicable Rules) shall be heard and resolved pursuant to the alternative dispute resolution procedure set forth in this Section 13(b). All matters to be heard and resolved pursuant to this Section 13(b) shall be heard and resolved by a single appointed referee who shall be a retired judge from either the California Superior Court, the California Court of Appeals, the California Supreme Court, the United States District Court or the United States Court of Appeals, provided that the appointed referee shall have significant and recent experience in resolving land use and real property disputes. The Parties to this Agreement who are involved in the dispute shall agree and appoint a single referee who shall then try all issues, whether of fact or law, and report in writing to the Parties to such dispute all findings of fact and issues and decisions of law and the final judgments made thereon, in sufficient detail to inform each party as to the basis of the referee's decision. The referee shall try all issues as if he/she were a California Superior Court judge, sitting without a jury, and shall (unless otherwise limited by any term or provision of this Agreement) have all legal and equitable powers granted a California Superior Court judge. Prior to the hearing, the Parties shall have full discovery rights as provided by the California Code of Civil Procedure. At the hearing, the Parties shall have the right to present evidence, examine and cross-examine lay and expert witnesses, submit briefs and have arguments of counsel heard, all in accordance with a briefing and hearing schedule reasonably established by the referee. The referee shall be required to follow and adhere to all laws, rules and regulations of the State of California in the hearing of testimony, admission of evidence, conduct of discovery, issuance of a judgment and fashioning of remedy, subject to such restriction on remedies as set forth in this Agreement. If the Parties involved in the dispute are unable to agree on a referee, any party to the dispute may seek to have a single referee appointed by a California Superior Court judge and the hearing shall be held in Orange County pursuant to California Code of Civil Procedure §640. The cost of any proceeding held pursuant to this Section 13(b) shall initially be borne equally by the Parties involved in the dispute, and each party shall bear its own attorneys' fees. Any referee selected pursuant to this Section shall be considered a temporary judge appointed pursuant to Article 6, Section 21 of the Constitution of the State of California. The cost of the referee shall be borne equally by each party. If any party to the dispute fails to timely pay its fees or costs, or fails to cooperate in the administration of the hearing and decision process as determined by the referee, the referee shall, upon the written request of any party to the dispute, be required to issue a written notice of breach to the defaulting party, and if the defaulting party fails to timely respond or cooperate with the period of time set forth in the notice of default (which in any event may not exceed thirty (30) calendar days), then the referee shall, upon the request of any non-defaulting party, render a default judgment against the defaulting party. At the end of the hearing, the referee shall issue a written judgment (which may include an award of reasonable attorneys' fees and costs as provided elsewhere in this Agreement), which judgment shall be final and binding between the

Parties and which may be entered as a final judgment in a California Superior Court. The referee shall use his/her best efforts to finally resolve the dispute and issue a final judgment within sixty (60) calendar days from the date of his/her appointment. Pursuant to Code of Civil Procedure Section 645, the decision of the referee may be excepted to and reviewed in like manner as if made by the Superior Court.

(1) Any party to the dispute may, in addition to any other rights or remedies provided by this Agreement, seek appropriate judicial ancillary remedies from a court of competent jurisdiction to enjoin any threatened or attempted violation hereof, or enforce by specific performance the obligations and rights of the Parties hereto, except as otherwise provided herein.

(2) The Parties hereto agree that (i) the City would not have entered into this Agreement if it were to be held liable for general, special or compensatory damages for any default under or with respect to this Agreement or the application thereof, and (ii) Developer has adequate remedies, other than general, special or compensatory damages, to secure City's compliance with its obligations under this Agreement. Therefore, the undersigned agree that neither the City nor its officers, employees or agents shall be liable for any general, special or compensatory damages to Developer or to any successor or assignee or transferee of Developer for the City's breach or default under or with respect to this Agreement; and Developer covenants not to sue the City, its officers, employees or agents for, or claim against the City, its officers, employees or agents, any right to receive general, special or compensatory damages for the City's default under this Agreement. Notwithstanding the provisions of this Section 13(b)(2), City agrees that Developer shall have the right to seek a refund or return of a deposit made with the City or fee paid to the City in accordance with the provisions of the Applicable Rules.

(c) In the event Developer challenges an ordinance or regulation of the City as being outside of the authority of the City pursuant to this Agreement, Developer shall bear the burden of proof in establishing that such ordinance, rule, regulation, or policy is inconsistent with the terms of this Agreement and applied in violation thereof.

14. **Transfers and Assignments.**

(a) **Right to Assign.** Developer shall have the right to encumber, sell, transfer or assign all or any portion of the Project which it may own to any person or entity (such person or entity, a "Transferee") at any time during the term of this Agreement without approval of the City, provided that Developer provides the City with written notice of the applicable transfer within thirty (30) days of the transfer, along with notice of the name and address of the assignee. Nothing set forth herein shall cause a lease or license of any portion of the Project to be deemed to constitute a transfer of the Project, or any portion thereof. This Agreement may be assigned or transferred by Developer as to and in conjunction with the sale or transfer of all or a portion of the Project, as permitted by this Section 14, provided that the Transferee has agreed in writing to be subject to all of the provisions of this Agreement applicable to the portion of the Project so transferred.

(b) **Liabilities Upon Transfer.** Upon the delegation of all duties and obligations and the sale, transfer or assignment of all or any portion of the Project to a Transferee,

Developer shall be released from its obligations under this Agreement with respect to the Project or portion thereof so transferred arising subsequent to the effective date of such transfer if (1) Developer has provided to City thirty (30) days' prior written notice of such transfer and (2) the Transferee has agreed in writing to be subject to all of the provisions hereof applicable to the portion of the Project so transferred. Upon any transfer of any portion of the Project and the express assumption of Developer's obligations under this Agreement by such Transferee, the Transferee becomes a party to this Agreement, and the City agrees to look solely to the Transferee for compliance by such Transferee with the provisions of this Agreement as such provisions relate to the portion of the Project acquired by such Transferee. Any such Transferee shall be entitled to the benefits of this Agreement and shall be subject to the obligations of this Agreement, applicable to the parcel(s) transferred. A default by any Transferee shall only affect that portion of the Project owned by such Transferee and shall not cancel or diminish in any way Developer's rights hereunder with respect to any portion of the Project not owned by such Transferee. The Transferee shall be responsible for the reporting and annual review requirements relating to the portion of the Project owned by such Transferee, and any amendment to this Agreement between City and a transferee shall only affect the portion of the Project owned by such transferee. In the event that Developer retains its obligations under this Agreement with respect to the portion of the Project transferred by Developer, the Transferee in such a transaction (a "**Non-Assuming Transferee**") shall be deemed to have no obligations under this Agreement, but shall continue to benefit from all rights provided by this Agreement for the duration of the term set forth in Section 12. Nothing in this section shall exempt any Non-Assuming Transferee from payment of applicable fees and assessments or compliance with applicable permit conditions of approval or mitigation measures.

15. **Mortgage Protection**. The Parties hereto agree that this Agreement shall not prevent or limit Developer, at Developer's sole discretion, from encumbering the Project or any portion thereof or any improvement thereon in any manner whatsoever by any mortgage, deed of trust, sale/leaseback, synthetic lease or other security device securing financing with respect to the Project. City acknowledges that the lender(s) providing such financing may require certain Agreement interpretations and modifications and agrees, upon request, from time to time, to meet with Developer and representatives of such lender(s) to negotiate in good faith any such request for interpretation or modification; provided, however, that no such interpretations or modifications shall diminish the public benefits received under this Agreement unless the City agrees to the acceptance of such diminished public benefits. City will not unreasonably withhold its consent to any such requested interpretation or modification, provided such interpretation or modification is consistent with the intent and purposes of this Agreement. Any mortgagee of a mortgage or a beneficiary of a deed of trust or landlord under a sale/leaseback, synthetic lease or lender providing secured financing in any manner ("**Mortgagee**") on the Project shall be entitled to the following rights and privileges:

(a) **Mortgage Not Rendered Invalid**. Neither entering into this Agreement nor a breach of this Agreement shall defeat, render invalid, diminish, or impair the lien of any mortgage, deed of trust or other financing documents on the Project made in good faith and for value.

(b) **Request for Notice to Mortgagee**. The Mortgagee of any mortgage, deed of trust or other financing documents encumbering the Project, or any part thereof, who has submitted a request in writing to City in the manner specified herein for giving notices shall be

entitled to receive written notification from City of any default by Developer in the performance of Developer's obligations under this Agreement.

(c) **Mortgagee's Time to Cure.** If City timely receives a request from a Mortgagee requesting a copy of any notice of default given to Developer under the terms of this Agreement, City shall provide a copy of that notice to the Mortgagee within ten (10) days of sending the notice of default to Developer. The Mortgagee shall have the right, but not the obligation, to cure the default during the remaining cure period allowed Developer under this Agreement, as well as any reasonable additional time necessary to cure, including reasonable time for reacquisition of the Project or the applicable portion thereof.

(d) **Project Taken Subject to Obligations.** Any Mortgagee who comes into possession of the Project or any portion thereof, pursuant to foreclosure of the mortgage, deed of trust, or other financing documents, or deed in lieu of foreclosure, shall take the Project or portion thereof subject to the terms of this Agreement; provided, however, that in no event shall such Mortgagee be held liable for any default or monetary obligation of Developer arising prior to acquisition of title to the Project by such Mortgagee, except that no such Mortgagee (nor its successors or assigns) shall be entitled to a building permit or occupancy certificate until all delinquent and current fees and other monetary obligations due under this Agreement for the Project or portion thereof acquired by such Mortgagee have been paid to City.

16. **Notices.** All notices under this Agreement shall be in writing and shall be deemed delivered when personally received by the addressee, or within three (3) calendar days after deposit in the United States mail by registered or certified mail, postage prepaid, return receipt requested, to the following Parties and their counsel at the addresses indicated below; provided, however, if any party to this Agreement delivers a notice or causes a notice to be delivered to any other party to this Agreement, a duplicate of that Notice shall be concurrently delivered to each other party and their respective counsel.

If to City:

City of Orange
300 East Chapman Avenue
Orange, CA 92866
Attention: City Manager
Facsimile: (714) 744-5147

With a copy to:

Wayne Winthers, Esq.
City Attorney
City of Orange
300 East Chapman Avenue
Orange, California 92866
Facsimile: (714) 538-7157

If to Developer:

ORANGE COUNTY HEALTH AUTHORITY, a public
agency doing business as CalOptima
505 City Parkway West
Orange, California 92868
Attention: Mr. Mike Ruane

Facsimile: (714) 571-2416

Notice given in any other manner shall be effective when received by the addressee. The addresses for notices may be changed by notice given in accordance with this provision.

17. **Severability and Termination.** If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid or unenforceable, or if any provision of this Agreement is superseded or rendered unenforceable according to any law which becomes effective after the Effective Date, the remainder of this Agreement shall be effective to the extent the remaining provisions are not rendered impractical to perform, taking into consideration the purposes of this Agreement.

18. **Time of Essence.** Time is of the essence for each provision of this Agreement of which time is an element.

19. **Force Majeure.** Changed conditions, changes in local, state or federal laws or regulations, floods, earthquakes, delays due to strikes or other labor problems, moratoria enacted by City or by any other governmental entity or agency (subject to Sections 5 and 8 of this Agreement), third-party litigation, injunctions issued by any court of competent jurisdiction, initiatives or referenda, the inability to obtain materials, civil commotion, fire, acts of God, or other circumstances which substantially interfere with the development or construction of the Project, or which substantially interfere with the ability of any of the Parties to perform its obligations under this Agreement, shall collectively be referred to as "**Events of Force Majeure**". If any party to this Agreement is prevented from performing its obligation under this Agreement by any Event of Force Majeure, then, on the condition that the party claiming the benefit of any Event of Force Majeure, (a) did not cause any such Event of Force Majeure and (b) such Event of Force Majeure was beyond said party's reasonable control, the time for performance by said party of its obligations under this Agreement shall be extended by a number of days equal to the number of days that said Event of Force Majeure continued in effect, or by the number of days it takes to repair or restore the damage caused by any such Event to the condition which existed prior to the occurrence of such Event, whichever is longer. In addition, the termination date of this Agreement as set forth in Section 12 of this Agreement shall be extended by the number of days equal to the number of days that any Events of Force Majeure were in effect.

20. **Sole Obligation of Health Authority.** As required by County of Orange Ordinance No. 3896 and amendments thereto, any obligation of the Orange County Health Authority created by this Development Agreement shall not be an obligation of the County of Orange.

21. **Waiver.** No waiver of any provision of this Agreement shall be effective unless in writing and signed by a duly authorized representative of the party against whom enforcement of a waiver is sought.

22. **No Third Party Beneficiaries.** This Agreement is made and entered into for the sole protection and benefit of the Developer and the City and their successors and assigns. Notwithstanding anything contained in this Agreement to the contrary, no other person shall have any right of action based upon any provision of this Agreement.

23. **Attorneys' Fees.** In the event any dispute hereunder is resolved pursuant to the terms of Section 13 (b) hereof, or if any party commences any action for the interpretation, enforcement, termination, cancellation or rescission of this Agreement, or for specific performance for the breach hereof, the prevailing party shall be entitled to its reasonable attorneys' fees, litigation expenses and costs arising from the action. Attorneys' fees under this Section shall include attorneys' fees on any appeal as well as any attorneys' fees incurred in any post judgment proceedings to collect or enforce the judgment.

24. **Incorporation of Exhibits.** The following exhibits which are part of this Agreement are attached hereto and each of which is incorporated herein by this reference as though set forth in full:

- (a) Exhibit "A" — Legal Description of the 605 Building Site;
- (b) Exhibit "B" — Copy of Resolution No. 9843 of the City Council of the City of Orange;
- (c) Exhibit "C" — Legal Description of the City Tower Two Site; and
- (d) Exhibit "D" — Public Benefit Fees.

25. **Copies of Applicable Rules.** Prior to the Effective Date, the City and Original Developer prepared two (2) sets of the Applicable Rules, one each for City and Original Developer, so that if it became necessary in the future to refer to any of the Applicable Rules, there would be a common set available to the Parties. The City agrees to deliver to Developer a copy of the Applicable Rules upon request.

26. **Authority to Execute, Binding Effect.** Developer represents and warrants to the City that it has the power and authority to execute this Agreement and, once executed, this Agreement shall be final, valid, binding and enforceable against Developer in accordance with its terms. The City represents and warrants to Developer that (a) all public notices and public hearings have been held in accordance with law and all required actions for the adoption of this Agreement have been completed in accordance with applicable law; (b) this Agreement, once executed by the City, shall be final, valid, binding and enforceable on the City in accordance with its terms; and (c) this Agreement may not be amended, modified, changed or terminated in the future by the City except in accordance with the terms and conditions set forth herein.

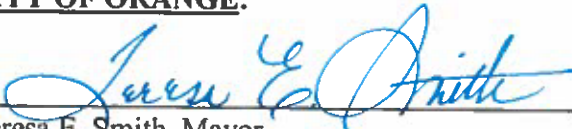
27. **Entire Agreement; Conflicts.** This Agreement represents the entire of the Parties. This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous s between the Parties or their predecessors in interest with respect to all or any part of the subject matter hereof. Should any or all of the provisions of this Agreement be found to be in conflict with any other provision or provisions found in the Applicable Rules, then the provisions of this Agreement shall prevail.

28. **Remedies.** Upon either party's breach hereunder, the non-breaching party shall be permitted to pursue any remedy provided for hereunder.

[SIGNATURES BEGIN ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties have each executed this Agreement on the date first written above.

CITY OF ORANGE:



Teresa E. Smith, Mayor

ATTEST:



Mary E. Murphy, City Clerk

APPROVED AS TO FORM:

By: 

Wayne W. Winthers, City Attorney

DEVELOPER:

ORANGE COUNTY HEALTH AUTHORITY,
a public agency doing business as CalOptima

By: ORANGE COUNTY HEALTH AUTHORITY,
a public agency doing business as CalOptima

M. Schrader
Print Name: Michael Schrader
its Chief Executive Officer

By: ORANGE COUNTY HEALTH AUTHORITY,
a public agency doing business as CalOptima

Print Name: _____
its _____

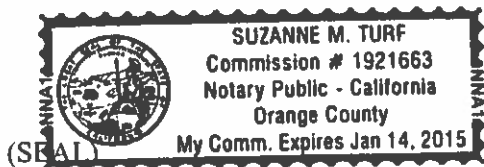
ACKNOWLEDGMENTS

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On Dec. 9, 2014, before me, Suzanne M. Turf, Notary Public, personally appeared Michael Schroeder, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is subscribed to the within instrument and acknowledged to me that ~~he/she/they~~ executed the same in his/her/their authorized capacity(ies), and that by ~~his/her/their~~ signature on the instrument, the person(s), or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



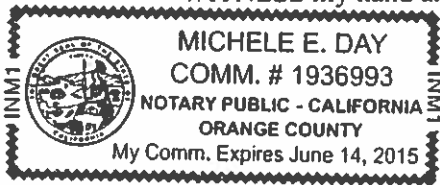
Suzanne M. Turf
Notary Public in and for said State

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On Dec. 10, 2014, before me, Michele E. Day, personally appeared Teresa E. Smith, who proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is subscribed to the within instrument and acknowledged to me that ~~he/she/they~~ executed the same in his/her/their authorized capacity(ies), and that by ~~his/her/their~~ signature on the instrument, the person(s), or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Michele E. Day
Notary Public in and for said State

(SEAL)

EXHIBIT "A"

**LEGAL DESCRIPTION
605 BUILDING TWO**

That certain real property located in the City of Orange, County of Orange, State of California, described as follows:

PARCEL A:

PARCEL 2 OF THE LOT LINE ADJUSTMENT NO. LL94-1, IN THE CITY OF ORANGE, COUNTY OF ORANGE, STATE OF CALIFORNIA, RECORDED APRIL 12, 1996 AS INSTRUMENT NO. 96-180461, OFFICIAL RECORDS.

EXCEPT FROM THAT PORTION THEREOF INCLUDED WITHIN THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF FRACTIONAL SECTION 35, TOWNSHIP 4 SOUTH, RANGE 10 WEST, IN THE RANCHO LAS BOLSAS, IN THE CITY OF ORANGE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 51, PAGE 10 OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, ALL OIL AND OTHER MINERAL RIGHTS IN OR UNDER SAID LAND, LYING BELOW A DEPTH OF 500 FEET FROM THE SURFACE THEREOF, BUT WITHOUT THE RIGHT OF ENTRY, AS RESERVED IN THE DEED FROM CHESTER M. BARNES AND OTHERS, RECORDED OCTOBER 2, 1999 IN BOOK 4911, PAGE 214, OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM ALL SUBSURFACE WATER AND SUBSURFACE WATER RIGHTS IN AND UNDER SAID LAND.

PARCEL B:

A NONEXCLUSIVE EASEMENT FOR UTILITY FACILITIES FOR THE BENEFIT OF PARCEL A, IN, ON, OVER, TO, UNDER, THROUGH, UPON AND ACROSS THE REAL PROPERTY DESCRIBED IN THAT CERTAIN DECLARATION OF UTILITY LINE EASEMENT, DATED JULY 11, 1996, AND RECORDED JULY 11, 1996 AS INSTRUMENT NO. 19960354693 OF OFFICIAL RECORDS, AS SET FORTH IN SAID DECLARATION.

EXHIBIT "B"

COPY OF RESOLUTION NO. 9843

OF THE CITY COUNCIL OF THE CITY OF ORANGE

EXHIBIT "B"

-1-

RESOLUTION NO. 9843

**A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF ORANGE AMENDING
CONDITIONAL USE PERMIT 2378-01, 2379-01
AND 2380-01; MAJOR SITE PLAN REVIEW
NOS. 106-99, 107-99 AND 108-99.**

WHEREAS, on October 10, 2001, the City Council adopted resolutions approving the following conditional use permits, major site plan reviews:

1. The Chapman Site consisting of 132,000 square feet of office space and a 137-room hotel (Resolution No. 9519);
2. City Tower Two Site consisting of 465,000 square feet of office space and eight-level parking structure (Resolution No. 9520);
3. 605 Building Site consisting of 200,000 square feet of office space and a five-level parking structure (Resolution No. 9521);
4. City Plaza Two Site consisting of 136,000 square feet of office building and a six-level parking structure (Resolution No. 9522); and

WHEREAS, the foregoing four projects are hereafter referred to as the EOP Projects; and

WHEREAS, the City Council considered and approved Final Environmental Impact Report No. 1612-01 (hereafter, the FEIR) which analyzed the environmental impacts of the EOP Projects; and

WHEREAS, the City commissioned the West Orange Circulation Study (hereafter, WOC Study) to analyze the traffic impacts of the EOP Projects, expansion of The Block at Orange and expansion of UCI Medical Center; and

WHEREAS, the WOC Study identified approximately \$3.5 million in traffic improvements and assigned fair share costs of such improvements to the following projects: (1) UCI Medical Center expansion, 32%; (2) EOP Projects 38% (identified in the WOC Study as Spieker Office Properties); and (3) The Block at Orange expansion, 30%; and

WHEREAS, as a result of the WOC Study the FEIR, as well as Resolution Nos. 9519-9522 require the EOP Projects as a mitigation measure to pay 38% of the cost of the traffic improvements identified in the WOC Study as its fair share contribution (hereafter WOC Traffic Improvements); and

WHEREAS, Resolutions Nos. 9519-9522 also require the EOP Projects to fully fund three improvements identified in conditions nos. 32, 34 and 35 of such resolutions and pursuant to condition no. 33, to pay a fair share of the cost of a bridge

widening on Orangewood Avenue near its intersection with State Route 57 (hereafter conditions 32-35 are referred to as, Traffic Improvement Conditions); and

WHEREAS, on January 19, 2004, the Planning Commission adopted Resolution No. PC 04-04 approving a new development on the Chapman Site which includes, but is not limited to, 58,260 square feet of commercial space and a fast food restaurant (hereafter, Best Buy Project) which would replace the Chapman Site component (City Council Resolution 9519) of the EOP Projects; and

WHEREAS, CA-The City (Chapman) Limited Partnership is in escrow to sell the Chapman Site to City Town Center, L.P., for development of the Best Buy Project; and

WHEREAS, EOP-The City, L.L.C., has requested that the City proportionally reduce the fair share cost of the WOC Traffic Improvements and Traffic Improvement Conditions to reflect the fact that the Chapman Site is no longer a component of the EOP Projects; and

WHEREAS, City staff has determined that such a reduction is appropriate and will fairly reflect the traffic impacts caused by the EOP Projects, exclusive of the Chapman Site (hereafter, the Remaining EOP Projects).

NOW, THEREFORE, BE IT RESOLVED THAT THE CITY COUNCIL OF THE CITY OF ORANGE FINDS AND DETERMINES as follows:

1. The Remaining EOP Projects shall not bear the costs of the Chapman Site's fair share of the WOC Traffic Improvements, as originally identified in the FEIR and the WOC Study. The fair shares of the EOP Projects for the WOC Traffic Improvements, as identified in the FEIR and WOC Study are reflected in the attached Exhibit A.
2. The Remaining EOP Projects shall not bear the costs of the Chapman Site's fair share of the Traffic Improvement Conditions as identified in the FEIR. The fair shares of the EOP Projects for the Traffic Improvement Conditions, as identified in the FEIR are reflected in the attached Exhibit A.
3. This Resolution shall only become effective upon City Town Center, L.P., becoming the owner of the Chapman Site.

ADOPTED this 9th day of March, 2004.

**ORIGINAL SIGNED BY
MARK A. MURPHY**

Mark A. Murphy, Mayor, City of Orange

ATTEST:

**ORIGINAL SIGNED BY
MARY E. MURPHY**

Mary E. Murphy, City Clerk, City of Orange

I, MARY E. MURPHY, City Clerk of the City of Orange, California, do hereby certify that the foregoing Resolution was duly and regularly adopted by the City Council of the City of Orange at a regular meeting thereof held on the 9th day of March, 2004, by the following vote:

AYES:	COUNCILMEMBERS: Ambriz, Alvarez, Murphy, Coontz
NOES:	COUNCILMEMBERS: None
ABSENT:	COUNCILMEMBERS: Cavccche
ABSTAIN:	COUNCILMEMBERS: None

**ORIGINAL SIGNED BY
MARY E. MURPHY**

Mary E. Murphy, City Clerk, City of Orange

EXHIBIT "A"

	Intersection Identified in the WOC Study ¹	Chapman Site ²	City Tower Two	City Plaza 2 Share	605 Bldg. Share	EOP Total
	1 State College & Katella	0%	1%	1%	0%	2%
	3 SR-57 NB Ramps & Katella	0%	1%	1%	0%	2%
	4 State College & Gene Autry Way	0%	0%	0%	0%	0%
	5 State College & Orangewood	0%	2%	1%	1%	4%
	6 SR-57 SB Ramps & Orangewood	1%	3%	2%	1%	7%
→	10 Haster & Chapman	6%	10%	8%	5%	29%
→	11 Lewis & Chapman	15%	22%	24%	14%	75%
→	13 The City & Chapman	8%	19%	4%	2%	33%
→	14 I-5 SB Ramp on-Ramp & Chapman	5%	16%	2%	1%	
→	19 The City Dr. & The City Way	2%	10%	2%	1%	15%
→	23 Haster & Lampson	4%	7%	14%	8%	33%
→	27 The City Dr. & SR-22 EB Ramps	1%	9%	4%	2%	
→	29 Haster & Garden Grove Blvd.	1%	2%	2%	1%	6%
→	30 Fairview & Garden Grove Blvd.	1%	3%	6%	3%	13%
→	31 Lewis & Garden Grove Blvd.	1%	3%	15%	9%	28%
→	32 The City Dr. & Garden Grove Blvd.	1%	7%	5%	3%	16%
	34 Howell & Katella	2%	0%	0%	0%	2%

Traffic Improvement Conditions ³	Intersection	Chapman Site	City Tower	City Plaza	605	EOP Total
32	The City Drive/Garden Grove	10%	90%			100%
33	SR-57/Orangewood Ave.(Bridge Widening)	14%	47%	25%	14%	100%
34	Haster St/Chapman Ave.	21%	36%	27%	16%	100%
35	Lewis St/Garden Grove Blvd.	5%	13%	52%	30%	100%

→ = ¹ The shaded intersections are identified in the FEIR and WOC Study and are the only intersections requiring traffic improvements and a fair share contribution.

² Referred to as the "North Parcel" in the FEIR tables.

³ Conditions are those referenced in City Council Resolutions 9519-9522.

EXHIBIT "C"

**LEGAL DESCRIPTION
CITY TOWER TWO SITE**

Parcel 2 of Parcel Map No. 81-769 recorded in Book 172, Pages 40-42 of Parcel Maps, in the Office of the County Recorder of Orange County, California.

EXHIBIT "D"

PUBLIC BENEFIT FEES

In the event that Developer elects, in accordance with the terms and upon the conditions set forth in Section "12. Term of Agreement" of this Agreement, to extend the term of this Agreement, then Developer shall pay the following Public Benefit Fees in the amounts and at the times hereinafter described:

1. Within forty-five (45) days of the mutual execution of this Agreement by Developer and the City, Developer shall pay to the City the sum of \$50,000 (such amount being the "**First Public Benefit Fee**").

2. If Developer elects, in its sole and absolute discretion, to extend the term of this Agreement beyond the Initial Term, then Developer shall pay to the City the sum of \$50,000 (such amount being the "**Second Public Benefit Fee**") no later than fifteen (15) days prior to the expiration of the Initial Term.

3. If Developer elects, in its sole and absolute discretion, to extend the term of this Agreement beyond the First Automatic Renewal Term, then Developer shall pay to the City the sum of \$100,000 (such amount being the "**Third Public Benefit Fee**") no later than fifteen (15) days prior to the expiration of the First Automatic Renewal Term.

For the avoidance of doubt, Developer's election to extend the term of this Agreement shall be in Developer's sole and absolute discretion, and the City's sole remedy for Developer's failure to pay any portion of the Public Benefit Fee within the term periods set forth above shall be to terminate this Agreement.

CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken March 2, 2017 **Regular Meeting of the CalOptima Board of Directors**

Report Item

16. Consider Options for Development Rights at 505 City Parkway West, Orange, California Site

Contact

Nancy Huang, Interim Chief Financial Officer, (714) 246-8400

Recommended Action

Authorize the Chief Executive Officer (CEO) to issue a Request for Information (RFI) to solicit responses regarding potential interest and options for CalOptima's development rights with results to be presented to the Board at a future date.

Background

At its January 2011 meeting, the CalOptima Board of Directors authorized the purchase of land and an office building located at 505 City Parkway West, Orange, California, and the assumption of development rights associated with the parcel pursuant to a 2004 Development Agreement with the City of Orange. The development rights include the possible construction of an office tower of up to ten stories and 200,000 square feet of office space, and a parking structure of up to five-levels and 1,528 spaces. The potential second office tower and parking structure are referred to as the "605 Building Site." At the time of CalOptima's purchase of the land and building, the expiration date for the Development Agreement was October 28, 2014.

At its October 2, 2014 meeting, the Board authorized the CEO to enter into an Amended and Restated Development Agreement with the City of Orange to extend CalOptima's development rights for up to six additional years. The extension was approved by the City of Orange Planning Commission on September 15, 2014, and the Orange City Council on November 25, 2014. Assuming CalOptima makes required public benefit fee payments to the City of Orange, the expiration date for the current development agreement is October 28, 2020.

At its August 4, 2016 meeting, the Board authorized a contract with a real estate consultant to assist in evaluating options related to CalOptima's development rights, and approved a budget allocation of \$22,602 from existing reserves to fund the contract through June 30, 2017.

At the December 1, 2016 meeting, the Board authorized a contract amendment with real estate consultant, Newport Real Estate Services (NRES), to include site plan development and expenditures from existing reserves of up to \$7,000 to fund the contract amendment.

Discussion

At its February 16, 2017 meeting, the Board of Directors' Finance and Audit Committee (FAC) received presentations from CalOptima management and real estate consultant, NRES. The presentation included an update on CalOptima's staffing needs and space alternatives, a review of a site plan developed by NRES, options for exercising the development rights with pros and cons of

certain options, and a preliminary timeline. In addition, FAC members discussed the need to gather more information and to gauge potential interest on the following options: Direct Sale, Ground Lease, Joint Venture, and Property Trade.

An additional option is pursuing an extension of the current Development Agreement for an additional 3 years beyond 2020. This option would require approval by the City of Orange, and would likely require CalOptima to make additional public benefit fee payments. In the event the Board elects to pursue this option, and the City of Orange is agreeable to the extension, Staff will return to the Board to present applicable proposals.

Fiscal Impact

The recommended action to issue an RFI for development rights is budget neutral.

Rationale for Recommendation

The Development Agreement with the City of Orange provides CalOptima the opportunity to provide for future space needs in the event CalOptima requires additional office space. At the same time, the development rights are a valuable asset that can be severed from the existing parcel if CalOptima finds that CalOptima's construction of a separate office building and parking structure is not practical, feasible, or otherwise in the best interest of the organization. Management recommends that the Board authorize the CEO to issue an RFI to fully explore potential interest and options available with the existing development rights.

Concurrence

Gary Crockett, Chief Counsel

Attachments

1. CalOptima Board Action dated August 4, 2016, Consider Authorizing Contract with a Real Estate Consultant to Assist in the Evaluation of Options Related to CalOptima's Development Rights and Approve Budget Allocation
2. CalOptima Board Action dated December 1, 2016, Authorize Vendor Contract(s) and/or Contract Amendment(s) for Services Related to CalOptima's Development Rights at the 505 City Parkway Site and Funding to Develop a Site Plan
3. NRES PowerPoint Presentation to the Board of Directors' Finance and Audit Committee dated February 16, 2017: Long-Range Strategic Real Estate Plan – Excess Real Estate Development or Disposition Update

/s/ Michael Schrader
Authorized Signature

2/23/2017
Date

CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken August 4, 2016
Regular Meeting of the CalOptima Board of Directors

Report Item

35. Consider Authorizing Contract with a Real Estate Consultant to Assist in the Evaluation of Options Related to CalOptima's Development Rights and Approve Budget Allocation

Contact

Chet Uma, Chief Financial Officer, (714) 246-8400

Recommended Actions

1. Authorize the Chief Executive Officer (CEO) to enter into a contract with a real estate consultant to assist in providing market research, evaluating development feasibility and financial feasibility, and recommend options based on CalOptima's development rights in accordance with the Board-approved procurement process; and
2. Approve allocation of \$22,602 from existing reserves to fund the contract with the selected real estate consultant through June 30, 2017.

Background

In January 2011, CalOptima purchased land and an office building located at 505 City Parkway West, Orange, California, and assumed development rights for the land parcel pursuant to a 2004 Development Agreement with the City of Orange. The development rights include the possible construction of an office tower up to ten stories and 200,000 square feet of office uses, and a maximum five-level, 1,528 space parking structure which was previously approved in 2001. The second office tower and parking structure are referred to as the 605 Building Site. The expiration date for the initial 10 year Development Agreement was October 28, 2014.

At the October 2, 2014, meeting, the CalOptima Board of Directors (Board) authorized the CEO, with the assistance of legal counsel, to enter into an Amended and Restated development agreement with the City of Orange to extend CalOptima's development rights for up to six years. The extension was approved by the City of Orange Planning Commission on September 15, 2014, and the Orange City Council on November 25, 2014. The Amended and Restated Development Agreement requires CalOptima to make public benefit fee payments to the City of Orange in order to extend the termination date by two year increments. The Board approved funding of \$200,000 from existing reserves to make the public benefit fee payments. The following table provides additional information on the public benefit fees.

Payment Amount	Due Date	Agreement Extension Period
First Payment: \$50,000	Within forty-five (45) days of mutual execution of the Agreement	Agreement remains in effect for a period of two (2) years from the original termination date
Second Payment: \$50,000	No later than fifteen (15) days prior to the expiration of the Initial Term	Extends Agreement for an additional two (2) years from the expiration of the Initial Term

Payment Amount	Due Date	Agreement Extension Period
Final Payment: \$100,000	No later than fifteen (15) days prior to the expiration of the First Automatic Renewal Term	Extends Agreement for an additional two (2) years from the expiration of the First Automatic Renewal Term

Assuming all payments are made on time, the end date for the Amended and Restated Development Agreement is October 28, 2020.

Discussion

CalOptima's Development Agreement represents a significant value to CalOptima. In order to understand the best strategic use of these rights, CalOptima requires assistance of a real estate consultant who has expertise and specializes in the area of development rights. The real estate consultant will perform market research, explore options for the development rights, evaluate development feasibility and financial feasibility, and provide recommendations to CalOptima. The proposed evaluation will take into consideration options of new leased space for CalOptima, costs, compliance with internal policies and procedures, requirements of Public Works projects, and possible public-private partnerships.

In light of forthcoming development projects around the 505 City Parkway West building and the number of years remaining under the current Development Agreement, Management believes it is prudent to obtain reliable information expeditiously in order to make a well-informed decision. The CalOptima Fiscal Year (FY) 2016-17 Operating Budget included \$7,398 under Professional Fees for a real estate consultant. Management proposes to make an allocation of \$22,602 from existing reserves to fund the remaining expenses related to the contract with the real estate consultant through June 30, 2017.

Fiscal Impact

The recommended action to authorize the CEO to contract with a real estate consultant to assist in evaluation of options related to CalOptima's development rights will not exceed \$30,000 through June 30, 2017. An allocation of \$22,602 from existing reserves will fund this action.

Rationale for Recommendation

The retention of a real estate consultant to evaluate options related to CalOptima's development rights will provide reliable information to the Board and Management to make informed decisions on long term space planning.

Concurrence

Gary Crockett, Chief Counsel

CalOptima Board Action Agenda Referral
Consider Authorizing Contract with a Real Estate Consultant to
Assist in the Evaluation of Options Related to CalOptima's
Development Rights and Approve Budget Allocation
Page 3

Attachment

Amended and Restated Development Agreement between the City of Orange and Orange County
Health Authority dated December 10, 2014

/s/ Michael Schrader
Authorized Signature

07/29/2016
Date

Ag. 4545.00

EXEMPT FROM RECORDER'S FEES
Pursuant to Government Code §§ 6103 and 27383

Recording requested by and when recorded return to:

City Clerk
City of Orange
300 East Chapman Avenue
Orange, California 92866

Recorded in Official Records, Orange County
Hugh Nguyen, Clerk-Recorder



NO FEE

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(SPACE ABOVE FOR RECORDER'S USE)

CONFORMED COPY

**AMENDED AND RESTATED
DEVELOPMENT AGREEMENT**

Dated as of *Dec. 10*, 2014

By and Between

**City of Orange,
a municipal corporation**

and

**Orange County Health Authority,
a public agency doing business as CalOptima**

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Exhibits

Exhibit "A"	Legal Description of the 605 Building Site
Exhibit "B"	Resolution No. 9843
Exhibit "C"	Legal Description of the City Tower Two Site
Exhibit "D"	Public Benefit Fees

Ag. 4545.0C

EXEMPT FROM RECORDER'S FEES
Pursuant to Government Code §§ 6103 and 27383

Recording requested by and when recorded return to:

City Clerk
City of Orange
300 East Chapman Avenue
Orange, California 92866

(SPACE ABOVE FOR RECORDER'S USE)

AMENDED AND RESTATED DEVELOPMENT AGREEMENT

This Amended and Restated Development Agreement (the "**Agreement**") is made in Orange County, California as of Dec. 10, 2014, by and between the CITY OF ORANGE, a municipal corporation (the "**City**") and ORANGE COUNTY HEALTH AUTHORITY, a public agency doing business as CalOptima ("**Developer**"). Together, the City and the Developer shall be referred to as the "**Parties**".

1. **Recitals.** This Agreement is made with respect to the following facts and for the following purposes, each of which is acknowledged as true and correct by the Parties:

(a) The City is authorized, pursuant to Government Code §§65864 through 65869.5 (the "**Development Agreement Statutes**") and Chapter 17.44 (Development Agreements) of the Orange Municipal Code to enter into binding agreements with persons or entities having legal or equitable interests in real property for the development of such property in order to establish certainty in the development process.

(b) Developer is the owner of certain real property located in the City and consisting of the parcel commonly referred to the "**605 Building Site**" (legally described on **Exhibit "A"**).

(c) References in this Agreement to the "**Project**" shall mean the 605 Building Site hereinabove described and the development project proposed for such property.

(d) Developer seeks to enhance the vitality of the City by developing additional office and commercial related uses.

(e) Pursuant to Government Code §65867.5 and Orange Municipal Code Section 17.44.100, the City Council finds that: (i) this Agreement and any Future Approvals of the Project implement the goals and policies of the City's General Plan, provide balanced and diversified land uses and impose appropriate standards and requirements with respect to land development and usage in order to maintain the overall quality of life and the environment within the City; (ii) this Agreement is in the best interests of and not in detriment to the public health, safety and general welfare of the residents of the City and the surrounding region; (iii) this

Agreement is compatible with the uses authorized in the zoning district and planning area in which the Project site is located; (iv) adopting this Agreement is consistent with the City's General Plan and constitutes a present exercise of the City's police power; and (v) this Agreement is being entered into pursuant to and in compliance with the requirements of Government Code §65867.

(f) Substantial public benefits (as required by Section 17.44.200 of the Orange Municipal Code) will be provided by Developer and the Project to the entire community. These substantial public benefits include, but are not limited to, the following:

(1) By and through its existence, the Project is and, at the completion of the Project, will continue to be, an enormous benefit and resource to the community;

(2) The Project will provide an expanded economic base for the City by generating substantial property tax revenue;

(3) The Project will provide temporary construction employment and permanent office-based jobs for a substantial number of workers;

(4) The Project, consisting of the 605 Building Site, will contribute traffic impact mitigation fees to the City pursuant to the West Orange Circulation Study ("WOCS Study"), which will partially fund the completion of traffic and circulation infrastructure in the WOCS Study area that will be needed to accommodate demand from future growth; and

(5) The Project will provide for additional sales/use taxes to the City, as provided in Section 7 hereof.

In exchange for these substantial public benefits, City intends to give Developer assurance that Developer can proceed with the development of the Project for the term and pursuant to the terms and the conditions of this Agreement and in accordance with the Applicable Rules (as hereinafter defined).

(g) The Developer has applied for and the City has approved this Agreement in order to create a beneficial project and a physical environment that will conform to and compliment the goals of the City, create a development project sensitive to human needs and values, facilitate efficient traffic circulation, and develop the Project.

(h) This Agreement will bind the City to the terms and obligations specified in this Agreement and will limit, to the degree specified in this Agreement and under the laws of the State of California, the future exercise of the City's ability to delay, postpone, preclude or regulate development on the Project, except as provided for herein.

(i) In accordance with the Development Agreement Statutes, this Agreement eliminates uncertainty in the planning process and provides for the orderly improvement of the Project. Further, this Agreement provides for appropriate further development of the Project over and above the improvements which currently exist on the Project and generally serves the public interest within the City and the surrounding region.

(j) CA-THE CITY LIMITED PARTNERSHIP (the “**Original Developer**”) first filed land use applications in 2001 to entitle four (4) separate development sites which together were to consist of one million one hundred fifty-seven thousand (1,157,000) square feet of office space and a one hundred thirty-seven (137) room hotel (collectively, the “**EOP Projects**”). Those land use applications included applications for a Conditional Use Permit(s) and Major Site Plan Review(s). In addition, the Original Developer filed for negotiations and approval of that certain Development Agreement, dated as of December 13, 2004, by and between the City of Orange and the Original Developer (the “**Original Development Agreement**”). The City processed the various applications and commissioned the preparation of the Final Environmental Impact Report (FEIR) 1612-01 for the Original Development Agreement and the 2001 land use applications (the “**Final EIR**”), which was certified in accordance with the California Environmental Quality Act (“**CEQA**”). On October 9, 2001, the City certified the Final EIR and approved the various applications for the entitlements for the EOP Projects including Resolution No. 9521 with respect to the 605 Building Site.

(1) The Final EIR evaluated the EOP Projects, all of which were located in the area within or adjacent to the former “**The Block at Orange**” which has been rebranded to “**The Outlets at Orange**.” A trip generation survey was conducted and the Final EIR determined that the EOP Projects, upon completion, would generate a total of thirteen thousand eight hundred seventy-six (13,876) average daily trips. The Final EIR designated separate average daily trip generation estimates for each of the EOP Projects based upon the estimated development square footage of each of the EOP Projects.

(2) As part of its approval of the EOP Projects, the City imposed various traffic mitigation conditions, including:

(A) a “fair share” allocation of the cost of certain traffic improvements identified in the WOCS Study (the “**WOCS Improvements**”);

(B) the obligation to pay one hundred percent (100%) of the cost of specific traffic improvements at three (3) designated intersections; and

(C) a “fair share” of the cost of widening the Orangewood Avenue bridge over the Santa Ana River.

The traffic improvements described in (B) and (C) are herein referred as the “**Traffic Improvement Conditions**”.

(3) The WOCS Study estimated the cost of the WOCS Improvements to be approximately Three Million Five Hundred Thousand Dollars (\$3,500,000.00) and assigned “fair share” costs for such improvements to the following projects:

(A) UCI Medical Center Expansion – thirty-two percent (32%);

(B) EOP Projects – thirty-eight percent (38%); and

(C) The Outlets at Orange Expansion – thirty percent (30%).

(4) On March 9, 2004, the City adopted Resolution No. 9843 in which the City determined that the "fair share" of the EOP Projects for the WOCS Improvements and the Traffic Improvement Conditions would be as set forth in Exhibit "A" to Resolution No. 9843. A copy of Resolution No. 9843 is attached hereto as **Exhibit "B"**.

(k) In 2004, in response to the Original Developer's application for the Original Development Agreement, the City felt that it would be helpful to provide the public with information updating and amplifying some of the points raised in the Final EIR as they pertain to the EOP Projects. Accordingly, and as provided in Section 15164 of the State California Environmental Quality Act Guidelines (the "**CEQA Guidelines**"), the City prepared an Addendum to the Final EIR (the "**Addendum**"). On August 16, 2004, the Planning Commission held a duly noticed public hearing on the Original Developer's application for the Original Development Agreement and the Addendum, which were approved by Resolution No. PC 33-04 and recommended to the City Council of the City approval. On September 14, 2004, the City Council held a duly noticed public hearing on the Original Developer's application for the Original Development Agreement and the Addendum, and adopted Resolution No. 9909, making certain findings under CEQA and determined that the Addendum is all that is necessary in connection with the Original Development Agreement and the approval thereof. Thereafter, at its regular meeting of September 14, 2004, the City Council adopted its Ordinance No. 19-04 approving the Original Development Agreement.

(l) In January 2006, the City and the Original Developer amended the Original Development Agreement by entering into that certain First Amendment to Development Agreement dated as of January 20, 2006, the original of which was recorded in the Official Records as Instrument No. 2006000051175 on January 24, 2006 (herein referred as the "**First Amendment**").

(m) In October 2006, the City and the Original Developer further amended the Original Development Agreement by entering into that certain Second Amendment to Development Agreement dated as of October 5, 2006, the original of which was recorded in the Official Records as Instrument No. 2006000698031 on October 17, 2006 (herein referred as the "**Second Amendment**").

(n) In January 2007, the City and the Original Developer entered into that certain Operating Memorandum dated as of January 22, 2007 (hereinafter referred as "**First Operating Memorandum**") as it relates to the amendment to certain covenants, conditions and restrictions governing the expansion of the Block at Orange (the "**Block Expansion**").

(o) In 2007, the Original Developer and Maguire Properties-City Plaza, LLC and Maguire Properties-City Parkway, LLC entered into that certain Assignment and Assumption Agreement dated April 23, 2007, the original of which was recorded in the Official Records as Instrument No. 2007000271600 on April 26, 2007 (herein referred as the "**Maguire Agreement**"). The terms of the Maguire Agreement transferred and assigned the development rights related to City Plaza Two Site and 605 Building Site (as defined in the Original Development Agreement) from the Original Developer to Maguire Properties-City Plaza, LLC and Maguire-City Parkway, LLC, respectively.

(p) In August 2008, Maguire Properties-City Plaza, LLC and HFOP City Plaza, LLC (“**HFOP**”) entered into that certain Partial Assignment and Assumption of Development Agreement dated August 26, 2008, the original of which was recorded in the Official Records as Instrument No. 2008000406579 on August 27, 2008 (herein referred as the “**HFOP Agreement**”). The terms of the HFOP Agreement transferred and assigned development rights related to City Plaza Two Site from Maguire Properties-City Plaza, LLC to HFOP.

(q) In May 2009, Maguire Properties-City Parkway, LLC and AB-City Parkway, LLC entered into that certain Partial Assignment and Assumption of Development Agreement dated May 27, 2009, the original of which was recorded in the Official Records as Instrument No. 2009000268530 on May 28, 2009 (herein referred as the “**AB Agreement**”). The terms of the AB Agreement transferred and assigned development rights related to 605 Building Site from Maguire Properties-City Parkway, LLC to AB-City Parkway, LLC.

(r) In January 2011, Developer and AB-City Parkway, LLC entered into that certain Partial Assignment and Assumption of Development Agreement dated January 7, 2011, the original of which was recorded in the Official Records as Instrument No.2011000013726 on January 7, 2011 (herein referred as the “**CalOptima Agreement**”). The terms of the CalOptima Agreement transferred and assigned development rights related to 605 Building Site from AB-City Parkway, LLC to Developer. The Original Development Agreement, as amended and assigned by the First Amendment, the Second Amendment, the First Operating Memorandum, the Maguire Agreement, the HFOP Agreement, the AB Agreement, and the CalOptima Agreement, is herein referred to as the “**Amended Development Agreement**”.

(s) The Developer represents to the City that, as of the date hereof, it is the owner of the Project, subject to encumbrances, easements, covenants, conditions, restrictions, and other matters of record.

(t) The Parties acknowledge and agree that the term of the Amended Development Agreement expires on October 28, 2014 (the “**Original Termination Date**”). Developer has requested, and the City has agreed, to extend the term of the Amended Development Agreement, subject to the terms hereof.

(u) In order to effectuate the extension of the term of the Amended Development Agreement, the Parties hereby agree to amend and restate in its entirety the Amended Agreement as set forth below.

2. **Definitions.** In this Agreement, unless the context otherwise requires:

(a) “**Applicable Rules**” means the development standards and restrictions set forth in Section 5 of this Agreement which shall govern the use and development of the Project and shall amend and supersede any conflicting or inconsistent provisions of zoning ordinances, regulations or other City requirements relating to development of property within the City.

(b) “**Development Agreement Statutes**” means Government Code §§ 65864 to 65869.5.

(c) **"Discretionary Actions" and "Discretionary Approvals"** are actions which require the exercise of judgment or a discretionary decision, and which contemplate and authorize the imposition of revisions or additional conditions, by the City, including any board, commission, or department of the City and any officer or employee of the City; as opposed to actions which in the process of approving or disapproving a permit or other entitlement merely requires the City, including any board, commission, or department of the City and any officer or employee of the City, to determine whether there has been compliance with applicable statutes, ordinances, regulations, or conditions of approval.

(d) **"Effective Date"** is the date the ordinance approving the Original Development Agreement became effective, which was October 28, 2004.

(e) **"Future Approvals"** means any action in implementation of development of the Project which requires Discretionary Approvals pursuant to the Applicable Rules, including, without limitation, parcel maps, tentative subdivision maps, development plan and site plan reviews, and conditional use permits. Upon approval of any of the Future Approvals, as they may be amended from time to time, they shall become part of the Applicable Rules, and Developer shall have a "vested right", as that term is defined under California law, in and to such Future Approvals by virtue of this Agreement.

(f) Other terms not specifically defined in this Agreement shall have the same meaning as set forth in Chapter 17.44 (Development Agreements) of the Orange Municipal Code, as the same existed on the Effective Date.

3. **Binding Effect.** This Agreement, and all of the terms and conditions of this Agreement shall, to the extent permitted by law, constitute covenants which shall run with the land comprising the Project for the benefit thereof, and the benefits and burdens of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective assigns, heirs, or other successors in interest.

4. **Negation of Agency.** The Parties acknowledge that, in entering into and performing under this Agreement, each is acting as an independent entity and not as an agent of the other in any respect. Nothing contained herein or in any document executed in connection herewith shall be construed as making the City and Developer joint venturers, partners, agents of the other, or employer/employee.

5. **Development Standards for the Project, Applicable Rules.** The development standards and restrictions set forth in this Section shall govern the use and development of the Project and shall constitute the Applicable Rules, except as otherwise provided herein, and shall amend and supersede any conflicting or inconsistent provisions of existing zoning ordinances, regulations or other City requirements relating to development of the Project and any subsequent changes to the Applicable Rules as specifically described in Section 5(c).

(a) The following ordinances and regulations shall be part of the Applicable Rules:

(1) The City's General Plan as it existed on the Effective Date;

(2) The City's Municipal Code relating to Development Agreements which is set forth in Chapter 17.44 of the Orange Municipal Code, as it existed on the Effective Date; and

(3) Such other ordinances, rules, regulations, and official policies governing permitted uses of the Project, density, design, improvement, and construction standards and specifications applicable to the development of the Project in force on the Effective Date, except as they may be in conflict with the provision of Subsection (a)(4) of this Section.

(4) The terms, provisions and conditions of the following with respect to each Project as hereinafter described:

(A) Conditional Use Permit No. 2379-01 and Major Site Plan Review No. 107-99 for the 605 Building Site; and

(B) The "fair share" of the Project for the WOCS Improvements and the Traffic Improvement Conditions as set forth in Resolution No. 9843.

(b) The City acknowledges that the Original Developer sold one (1) of the EOP Projects legally described on Exhibit "C" attached hereto and commonly referred to as the "**City Tower Two Site**" to a third party and, the City granted approvals to allow such third party to develop a residential project on the City Tower Two Site. The City further acknowledges that the average daily trips which would be generated by the proposed residential project may be substantially less than the average daily trips that would have been generated by the original project for the City Tower Two Site as identified in the Final EIR. The City hereby agrees and acknowledges that the traffic impacts identified in the Final EIR were studied on an area-wide basis and that the Final EIR adequately studied and determined the traffic impacts and relevant mitigation measures required for such traffic impacts. Accordingly, the City hereby agrees that the difference between the average daily trips allocated to the original City Tower Two Site and the average daily trips which are determined to be generated by the residential project (or other project) located on the City Tower Two Site and approved by the City (the "**Unused Trips**") may be "transferred" to the Project during the term of this Agreement (it being the intention of the Parties that the Unused Trips shall be reserved for the benefit of Developer and the Project and, without the prior written consent of Developer, such Unused Trips shall not be applied to or reserved for the benefit of any other project that is subject to approval by the City).

(c) The Project shall not be required to pay any portion of the "fair share" of the WOCS Improvements and/or Traffic Improvement Conditions payable by or as a result of any project approved by the City on the City Tower Two Site.

(d) The "fair share" of the Project shall not be increased as a result of the failure by the City to recover (for whatever reason) the "fair share" contributions of the UCI Medical Center Expansion and/or The Block at Orange Expansion, nor shall the cost of the WOCS Improvements and the Traffic Improvement Conditions be deemed to be increased as a result of such failure.

(e) Notwithstanding the provisions of this Agreement, the City reserves the right to apply certain other laws, ordinances and regulations under the certain limited circumstances described below:

(1) This Agreement shall not prevent the City from applying new ordinances, rules, regulations and policies relating to uniform codes adopted by City or by the State of California, such as the Uniform Building Code, National Electrical Code, Uniform Mechanical Code or Uniform Fire Code, as amended, and the application of such uniform codes to the Project at the time of application for issuance of building permits for structures on the Project including such amendments to uniform codes as the City may adopt from time to time.

(2) In the event that State or Federal laws or regulations prevent or preclude compliance with one or more of the provisions of this Agreement, such provisions of this Agreement shall be modified or suspended as may be necessary to comply with such State or Federal laws or regulations; provided, however, that this Agreement shall remain in full force and effect to the extent it is not inconsistent with such laws or regulations and to the extent such laws or regulations do not render such remaining provisions impractical to enforce. Notwithstanding the foregoing, City shall not adopt or undertake any regulation, program or action or fail to take any action which is inconsistent or in conflict with this Agreement until, following meetings and discussions with the Developer, the City Council makes a finding, at or following a noticed public hearing, that such regulation, program actions or inaction is required (as opposed to permitted) to comply with such State and Federal laws or regulations after taking into consideration all reasonable alternatives.

(3) Notwithstanding anything to the contrary in this Agreement, City shall have the right to apply City ordinances and regulations (including amendments to Applicable Rules) adopted by the City after the Effective Date, in connection with any Future Approvals, or deny, or impose conditions of approval on, any Future Approvals in City's sole discretion if such application is required to prevent a condition dangerous to the physical health or safety of existing or future occupants of the Project, or any portion thereof or any lands adjacent thereto.

6. **Right to Develop.** Subject to the terms of this Agreement, and as of the Effective Date, Developer shall have a vested right to develop the Project in accordance with the Applicable Rules.

7. **Acknowledgments, Agreements and Assurances on the Part of the Developer.**

(a) **Developer's Faithful Performance.** The Parties acknowledge and agree that Developer's performance in developing the Project and in constructing and installing certain public improvements and complying with the Applicable Rules will fulfill substantial public needs. The City acknowledges and agrees that there is good and valuable consideration to the City resulting from Developer's assurances and faithful performance thereof and otherwise in this Agreement, and that same is in balance with the benefits conferred by the City on the Project. The Parties further acknowledge and agree that the exchanged consideration hereunder is fair, just and reasonable.

(b) **Obligations to be Non-Recourse.** As a material element of this Agreement, and as an inducement to Developer to enter into this Agreement, each of the Parties understands and agrees that the City's remedies for breach of the obligations of Developer under this Agreement shall be limited as described in this Agreement.

(c) **Developer's Commitment Regarding California Sales/Use Taxes.** To the extent permitted by law, Developer will require in its general contractor construction contract that Developer's general contractor and subcontractors exercise their option to obtain a Board of Equalization sales/use tax subpermit for the jobsite at the project site and allocate all eligible use tax payments to the City. Further, to the extent permitted by law, Developer will require in its general contractor construction contract that prior to beginning construction of the project, the general contractor and subcontractors will provide the City with either a copy of the subpermit, or a statement that sales/use tax does not apply to their portion of the job, or a statement that they do not have a resale license which is a precondition to obtaining a subpermit. Further, to the extent permitted by law, Developer will use its best efforts to require in its general contractor construction contract that (1) the general contractor or subcontractor shall provide a written certification that the person(s) responsible for filing the tax return understands the process of reporting the tax to the City and will do so in accordance with the City's conditions of project approval as contained in this Agreement; (2) the general contractor or subcontractor shall, on its quarterly sales/use tax return, identify the sales/use tax applicable to the construction site and use the appropriate Board of Equalization forms and schedules to ensure that the tax is allocated to the City of Orange; (3) in determining the amounts of sales/use tax to be paid, the general contractor or subcontractor shall follow the guidelines set forth in Section 1806 of Sales and Use Tax Regulations; (4) the general contractor or subcontractor shall submit an advance copy of his tax return(s) to the City for inspection and confirmation prior to submittal to the Board of Equalization; and (5) in the event it is later determined that certain eligible sales/use tax amounts were not included on general contractor's or subcontractor's sales/use tax return(s), general contractor and subcontractor agree to amend those returns and file them with the Board of Equalization in a manner that will ensure the City receives such additional sales/use tax as City may be eligible to receive from the project for which that particular contractor and its subcontractors were responsible.

During the term of this Agreement, to the extent permitted by law, Developer shall do one of the following: (1) Developer will review the Direct Payment Permit Process established under State Revenue and Taxation Code Section 7051.3 and, if eligible, acquire and use the permit so that the local share of its sales/use tax payments is allocated to the City; Developer will provide City with either a copy of the direct payment permit or a statement certifying ineligibility to qualify for the permit; Developer will further work with the City to inform all tenants about the Direct Payment Permit Process and encourage their participation, if qualified; or (2) Developer shall make use of its resale license issued by the Board of Equalization to exempt from sales/use taxes Developer's significant equipment purchases relating to the project site from vendors and to direct pay all sales/use tax to the Board of Equalization with the City of Orange as the point of sale for such purchases; in connection with the foregoing, Developer shall provide to the City the vendor names, a description of the equipment to be purchased, the purchase amounts for any out-of-state or out-of-country purchases exceeding \$500,000, and a copy of the applicable quarterly sales/use tax reflecting payment of the sales/use tax so long as the confidentiality thereof is protected in a manner consistent with the restrictions imposed by Revenue and Taxation Code Section 7056.

City agrees to cause City's sales and use tax consultant, which is presently the HdL Companies, to reasonably cooperate with Developer, Developer's general contractor(s) and the general contractors' subcontractors to maximize City's receipt of sales/use tax hereunder.

(d) **Limitation on Parking.** Developer acknowledges and agrees that the total amount of parking to be constructed by Developer in connection with the Project shall not exceed the maximum authorized parking set forth in Conditional Use Permit No. 2379-01.

8. **Acknowledgments, Agreements and Assurances on the Part of the City.** In order to effectuate the provisions of this Agreement, and in consideration for the Developer to obligate itself to carry out the covenants and conditions set forth in the preceding Section of this Agreement, the City hereby agrees and assures Developer that Developer will be permitted to carry out and complete the development of the Project in accordance with the Applicable Rules, subject to the terms and conditions of this Agreement and the Applicable Rules. Therefore, the City hereby agrees and acknowledges that:

(a) **Entitlement to Develop.** The Developer is hereby granted the vested right to develop the Project to the extent and in the manner provided in this Agreement, subject to the Applicable Rules and the **Future Approvals.**

(b) **Conflicting Enactments.** Except as provided in Subsection (e) of Section 5 above, any change in the Applicable Rules, including, without limitation, any change in any applicable general area or specific plan, zoning, subdivision or building regulation, adopted or becoming effective after the Effective Date, including, without limitation, any such change by means of a Future Approval, an ordinance, initiative, resolution, policy, order or moratorium, initiated or instituted for any reason whatsoever and adopted by the Council, the Planning Commission or any other board, commission or department of City, or any officer or employee thereof, or by the electorate, as the case may be, which would, absent this Agreement, otherwise be applicable to the Project and which would conflict in any way with or be more restrictive than the Applicable Rules ("Subsequent Rules"), shall not be applied by City to any part of the Project. Developer may give City written notice of its election to have any Subsequent Rule applied to such portion of the Project as it may own, in which case such Subsequent Rule shall be deemed to be an Applicable Rule insofar as that portion of the Project is concerned.

(c) **Permitted Conditions.** Provided Developer's applications for any Future Approvals are consistent with this Agreement and the Applicable Rules, City shall grant the Future Approvals in accordance with the Applicable Rules and authorize development of the Project for the uses and to the density and regulations as described herein. City shall have the right to impose reasonable conditions in connection with Future Approvals and, in approving tentative subdivision maps, impose dedications for rights of way or easements for public access, utilities, water, sewers, and drainage necessary for the Project or other developments on the Project; provided, however, that such conditions and dedications shall not be inconsistent with the Applicable Rules in effect prior to imposition of the new requirement nor inconsistent with the development of the Project as contemplated by this Agreement; and provided further that such conditions and dedication shall not impose additional infrastructure or public improvement obligations in excess of those identified in this Agreement or normally imposed by the City. In connection with a Future Approval, Developer may protest any conditions, dedications or fees to the City Council or as

otherwise provided by City rules or regulations while continuing to develop the Project; such a protest by Developer shall not delay or stop the issuance of building permits or certificates of occupancy unless otherwise provided in the Applicable Rules.

(d) **Timing of Development.** Because the California Supreme Court held in *Pardee Construction Co. v. City of Camarillo*, 37 Cal.3d 465 (1984) that failure of the parties to provide for the timing of development resulted in a later adopted initiative restricting the timing of development to prevail over the parties' Agreement, it is the intent of Developer and the City to cure that deficiency by acknowledging and providing that Developer shall have the right (without the obligation) to develop the Project in such order and at such rate and at such time as it deems appropriate within the exercise of its subjective business judgment, subject to the terms of this Agreement.

(e) **Moratorium.** No City-imposed moratorium or other limitation (whether relating to the rate, timing or sequencing of the development or construction of all or any part of the Project whether imposed by ordinance, initiative, resolution, policy, order or otherwise, and whether enacted by the Council, an agency of City, the electorate, or otherwise) affecting parcel or subdivision maps (whether tentative, vesting tentative or final), building permits, occupancy certificates or other entitlements to use or service (including, without limitation, water and sewer, should the City ever provide such services) approved, issued or granted within City, or portions of City, shall apply to the Project to the extent such moratorium or other limitation is in conflict with this Agreement and/or the Applicable Rules.

(f) **Permitted Fees and Exactions.** Certain development impact and processing fees have been imposed on the Project as conditions of the Existing Project Approvals (including, by way of example but not limited to, TSIP Fees, park facility fees, library facility fees, policy facility fees and fire facility fees), which impact and processing fees are in existence on the Effective Date ("**Development Project Fees**"). Development Project Fees applicable to the Project, together with any processing fees charged by the City for the City's administrative time and related costs incurred in preparing and considering any application for the Project, shall be assessed in the amount they exist at the time Developer becomes liable to pay such fees, provided that such fees shall not exceed the fees that are charged by the City generally to all other applicants similarly situated, on a non-discriminatory basis for similar approvals, permits, or entitlements granted by City. During the term of this Agreement, the City shall be precluded from applying any development impact fee that does not exist as of the Effective Date, except for an impact fee the City may adopt on a City-wide basis for administrative facility capital improvements. This provision does not authorize City to impose fees on the Project that could not be imposed in the absence of this Agreement. Except as otherwise provided in this Agreement, City shall only charge and impose those fees and exactions, including, without limitation, dedications and any other fees or taxes (including excise, construction or any other taxes) relating to development or the privilege of developing the Project as set forth in the Applicable Rules described in Section 5 of this Agreement; provided, however, that Section 5 shall not apply to the following fees and taxes and shall not be construed to limit the authority of City to:

(1) Impose or levy general or special taxes, including but not limited to, property taxes, sales taxes, parcel taxes, transient occupancy taxes, business taxes, which may be applied to the Project or to businesses occupying the Project; provided, however, that the tax is of

general applicability citywide and does not burden the Project disproportionately to other development within the City; or

(2) Collect such fees or exactions as are imposed and set by governmental entities not controlled by City but which are required to be collected by City.

(g) **Project Mitigation**. The Developer shall undertake and complete the mitigation requirements of the Existing Project Approvals. These requirements shall be satisfied within the time established therefor in the Existing Project Approvals.

9. **Cooperation and Implementation**. The City and Developer agree that they will cooperate with one another to the fullest extent reasonable and feasible to implement this Agreement. Upon satisfactory performance by Developer of all required preliminary conditions of approval, actions and payments, the City will commence and in a timely manner proceed to complete all steps necessary for the implementation of this Agreement and the development of the Project in accordance with the terms of this Agreement. Developer shall, in a timely manner, provide the City with all documents, plans, and other information necessary for the City to carry out its obligations. Additionally:

(a) **Further Assurances: Covenant to Sign Documents**. Each party shall take all actions and do all things, and execute, with acknowledgment or affidavit, if required, any and all documents and writings, including estoppel certificates, that may be necessary or proper to achieve the purposes and objectives of this Agreement.

(b) **Reimbursement and Apportionment**. Nothing in this Agreement precludes City and Developer from entering into any reimbursement agreements for reimbursement to the Developer of the portion (if any) of the cost of any dedications, public facilities and/or infrastructure that City, pursuant to this Agreement, may require as conditions of the Future Approvals agreed to by the Parties, to the extent that they are in excess of those reasonably necessary to mitigate the impacts of the Project or development on the Project.

(c) **Processing**. Upon satisfactory completion by Developer of all required preliminary actions and payments of appropriate processing fees, if any, City shall, subject to all legal requirements, promptly initiate, diligently process, and complete all required steps, and promptly act upon any approvals and permits necessary for the development by Developer in accordance with this Agreement, including, but not limited to, the following:

(1) the processing of applications for and issuing of all discretionary approvals requiring the exercise of judgment and deliberation by City, including without limitation, the Future Approvals;

(2) the holding of any required public hearings; and

(3) the processing of applications for and issuing of all ministerial approvals requiring the determination of conformance with the Applicable Rules, including, without limitation, site plans, grading plans, improvement plans, building plans and specifications, and ministerial issuance of one or more final maps, grading permits, improvement permits, wall permits, building permits, lot line adjustments, encroachment permits, temporary use permits,

certificates of use and occupancy and approvals and entitlements and related matters as necessary for the completion of the development of the Project ("**Ministerial Approvals**").

(d) **Processing During Third Party Litigation.** The filing of any third party lawsuit(s) against City and Developer relating to this Agreement or to other development issues affecting the Project shall not delay or stop the development, processing or construction of the Project, approval of the Future Approvals, or issuance of Ministerial Approvals, unless the third party obtains a court order preventing the activity. City shall not stipulate to or fail to oppose the issuance of any such order.

(e) **Defense of Agreement.** City agrees to and shall timely take all actions which are necessary or required to uphold the validity and enforceability of this Agreement and the Applicable Rules, subject to the indemnification provisions of this Section. Developer shall indemnify, protect and hold harmless, the City and any agency or instrumentality thereof, and/or any of its officers, employees, and agents from any and all claims, actions, or proceedings against the City, or any agency or instrumentality thereof, or any of its officers, employees and agents, to attack, set aside, void, annul, or seek monetary damages resulting from an approval of the City, or any agency or instrumentality thereof, advisory agency, appeal board or legislative body including actions approved by the voters of the City, concerning this Agreement. The City shall promptly notify the Developer of any claim, action, or proceeding brought forth within this time period. The Developer and City shall select joint legal counsel to conduct such defense and which legal counsel shall represent both the City and Developer in the defense of such action. The City in consultation with Developer shall estimate the cost of the defense of the action and Developer shall deposit said amount with the City. City may require additional deposits to cover anticipated costs. City shall refund, without interest, any unused portions of the deposit once the litigation is finally concluded. Should the City fail to either promptly notify or cooperate fully, Developer shall not thereafter be responsible to indemnify, defend, protect, or hold harmless the City, any agency or instrumentality thereof, or any of its officers, employees, or agents. Should the Developer fail to post the required deposit within five (5) working days from notice by City, City may terminate this Agreement pursuant to its terms. If City elects to terminate this Agreement pursuant to this Section, it shall do so by written notice to Developer, whereupon this Agreement shall terminate, expire and have no further force or effect as to the Project. Thereafter, the terminating party's indemnity and defense obligations pursuant to this Agreement shall have no further force or effect as to acts or omissions from and after the effective date of said termination.

10. **Compliance; Termination; Modifications and Amendments.**

(a) **Review of Compliance.** The City's Director of Community Development (or designee) shall review this Development Agreement once each year, on or before each anniversary of the Effective Date ("**Periodic Review**"), in accordance with this Section, and the Applicable Rules and the City's Municipal Code in order to determine whether or not Developer is out-of-compliance with any specific term or provision of this Agreement. At commencement of each Periodic Review, the Director shall notify Developer in writing that the Periodic Review will commence or has commenced.

(b) **Prima Facie Compliance.** Within thirty (30) days after receipt of the Director's notice that the Periodic Review will commence or has commenced (and unless

Developer requests and is granted a waiver by the City), Developer shall demonstrate that it has, during the preceding twelve (12) month period, been in reasonable prima facie compliance with this Agreement. For purposes of this Agreement, the phrase "reasonable prima facie compliance" shall mean that Developer has demonstrated that it has acted in accordance with this Agreement.

(c) **Notice of Non-Compliance, Cure Rights.** If during any Periodic Review, the Director reasonably concludes that (i) Developer has not demonstrated that it is in reasonable prima facie compliance with this Agreement, and (ii) Developer is out of compliance with a specific, substantive term or provision of this Agreement, then the Director may issue and deliver to Developer a written notice of non-compliance ("**Notice of Non-Compliance**") detailing the specific reasons for non-compliance (including references to sections and provisions of this Agreement and Applicable Rules which have allegedly been breached) and a complete statement of all facts demonstrating such non-compliance. Developer shall have thirty (30) calendar days following its receipt of the Notice of Non-compliance in which to cure said failure(s); provided, however, that if any one or more of the item(s) of non-compliance set forth in the Notice of Non-compliance cannot reasonably be cured within said thirty (30) calendar day period, then Developer shall not be in breach of this Agreement if it commences to cure said item(s) within said thirty (30) day period and diligently prosecutes said cure to completion. Upon completion of each Periodic Review, the Director shall submit a report to the City Council if the Director determines that Developer has not satisfactorily demonstrated reasonable prima facie compliance with this Agreement. The Director shall submit a report to the City Council stating what steps have been taken by the Director or what steps the Director recommends that the City subsequently take with reference to the alleged non-compliance. (If the Director determines that the Developer has demonstrated reasonable prima facie compliance with this Agreement, the Director will not be required to submit a report to the City Council.) Non-performance by either party shall be excused when it is delayed unavoidably and beyond the reasonable control of the Parties as a result of any of the events identified in Section 19 of this Agreement.

(d) **Termination of Development Agreement as to Breaching Party.** If Developer fails to timely cure any item(s) of non-compliance set forth in a Notice of Non-compliance, then the City shall have the right, but not the obligation, to initiate proceedings for the purpose of terminating this Agreement. Such proceedings shall be initiated by notice to the Developer, followed by meetings between the Developer and the City for the purpose of good faith negotiations between the Parties to resolve the dispute. If the City determines to terminate this Agreement following a reasonable number of meetings and a reasonable opportunity for the Developer to cure any non-performance, the City shall give Developer written notice of its intent to so terminate this Agreement, specifying the precise grounds for termination and setting a date, time and place for a public hearing on the issue, all in compliance with the Development Agreement Statutes. At the noticed public hearing, Developer and/or its designated representative shall be given an opportunity to make a full and public presentation to the City. If, following the taking of evidence and hearing of testimony at said public hearing, the City finds, based upon a preponderance of evidence, that the Developer has not demonstrated compliance with this Agreement, and that Developer is out of material compliance with a specific, substantive term or provision of this Agreement, then the City may (unless the Parties otherwise agree in writing) terminate this Agreement.

(e) **Notice and Opportunity to Cure if City Breaches.** If at any time Developer reasonably concludes that (1) City has not acted in prima facie compliance with this Agreement, and (ii) City is out of compliance with a specific, substantive term or provision of this Agreement, then Developer may issue and deliver to City written notice of City's non-compliance, detailing the specific reasons for non-compliance (including references to sections and provisions of this Agreement which have allegedly been breached) and a complete statement of all facts demonstrating such non-compliance. Developer shall also meet with the City as appropriate to discuss any alleged non-compliance on the part of the City. City shall have thirty (30) calendar days following its receipt of the Notice of Non-compliance in which to cure said failure(s); provided, however, that if any one or more of the item(s) of non-compliance set forth in the Notice of Non-compliance cannot reasonably be cured within said thirty (30) calendar day period, then City shall not be in breach of this Agreement if it commences to cure said item(s) within said thirty (30) day period and diligently prosecutes said cure to completion.

(f) **Modification or Amendment, of Development Agreement.** Subject to the notice and hearing requirements of the applicable Development Agreement Statutes, this Agreement may be modified or amended from time to time only with the written consent of Developer and the City or their successors and assigns in accordance with the provisions of the Municipal Code and Government Code §65868.

(g) **No Cross-Default.** Notwithstanding anything set forth in this Agreement to the contrary, in no event shall the breach of or default under this Agreement by Developer with respect to the Project constitute a breach of or default under this Agreement or any other agreement with respect to any other development project. In other words, the Project identified in this Agreement shall stand alone for purposes of its compliance with the terms, provisions and requirements of this Agreement and any other agreement between the City and Developer.

11. **Operating Memoranda.** The provisions of this Agreement require a close degree of cooperation between City and Developer. The anticipated refinements to the Project and other development activity at the Project may demonstrate that clarifications to this Agreement and the Applicable Rules are appropriate with respect to the details of performance of City and Developer. If and when, from time to time during the term of this Agreement, City and Developer agree that such clarifications are necessary or appropriate, they shall effectuate such clarifications through operating memoranda approved in writing by the City and Developer which, after execution, shall be attached hereto and become a part of this Agreement, and the same may be further clarified from time to time as necessary with future written approval by City and Developer. Operating memoranda are not intended to constitute an amendment to this Agreement but mere ministerial clarifications; therefore, no public notice or hearing shall be required. The City Attorney shall be authorized, upon consultation with and approval of Developer, to determine whether a requested clarification may be effectuated pursuant to this Section or whether the requested clarification is of such a character to constitute an amendment hereof which requires compliance with the provisions of Section 10(f) above. The authority to enter into such operating memoranda is hereby delegated to the City Manager and the City Manager is hereby authorized to execute any operating memoranda hereunder without further action by the City Council.

12. **Term of Agreement.** This Agreement shall become operative and shall commence upon the date the ordinance approving this Agreement becomes effective. Subject to payment by

Developer of the “**Public Benefit Fees**” that are applicable in the amounts and at the times identified on **Exhibit “D”** attached hereto, this Agreement shall remain in effect for a period of up to six (6) years from the Original Termination Date unless this Agreement is terminated, modified or extended upon mutual written consent of the Parties hereto or as otherwise provided in this Agreement. Unless otherwise agreed to by the City and Developer, Developer’s failure to pay any portion of the Public Benefit Fees within the time period set forth on **Exhibit “D”** shall be deemed Developer’s election not to extend the term of this Agreement. In no event shall the Public Benefit Fees be supplemented, raised or increased above the amounts identified on **Exhibit “D”**.

(a) **First Payment of Public Benefit Fees.** Within forty-five (45) days of mutual execution of this Agreement by the Developer and the City, Developer shall pay to the City the First Public Benefit Fee (as defined on **Exhibit “D”**). Upon payment by Developer to the City of the First Public Benefit Fee, this Agreement shall remain in effect for a period of two (2) years from the Original Termination Date (such two (2) year period being the “**Initial Term**”).

(b) **Second Payment of Public Benefit Fees.** If Developer elects, in its sole and absolute discretion, to extend this Agreement beyond the Initial Term, then Developer shall pay to the City the Second Public Benefit Fee (as defined on **Exhibit “D”**) no later than the time set forth on **Exhibit “D”**. Upon payment by Developer to the City of the Second Public Benefit Fee, this Agreement shall be automatically extended for an additional two (2) years from the expiration of the Initial Term (such two (2) year period being the “**First Automatic Renewal Term**”).

(c) **Final Payment of Public Benefit Fees.** If Developer elects, in its sole and absolute discretion, to further extend this Agreement beyond the First Automatic Renewal Term, then Developer shall pay to the City the Third Public Benefit Fee (as defined on **Exhibit “D”**) no later than the time set forth on **Exhibit “D”**. Upon payment by Developer to the City of the Third Public Benefit Fee, this Agreement shall be automatically extended for an additional two (2) years from the expiration of the First Automatic Renewal Term.

(d) Following expiration or termination of the term hereof, this Agreement shall be deemed terminated and of no further force and effect; provided, however, that no such expiration or termination shall automatically affect any right of the City and Developer arising from City approvals on the Project prior to expiration or termination of the term hereof or arising from the duties of the Parties as prescribed in this Agreement.

13. **Administration of Agreement and Resolution of Disputes.**

(a) **Administration of Disputes.** All disputes involving the enforcement, interpretation or administration of this Agreement (including, but not limited to, decisions by the City staff concerning this Agreement and any of the projects or other matters concerning this Agreement which are the subject hereof) shall first be subject to good faith negotiations between the Parties to resolve the dispute. In the event the dispute is not resolved by negotiations, the dispute shall then be heard and decided by the City Council. Thereafter, any decision of the City Council which remains in dispute shall be appealed to, heard by, and resolved pursuant to the Mandatory Alternative Dispute Resolution procedures set forth in Section 13(b) hereinbelow.

Unless the dispute is resolved sooner, City shall use diligent efforts to complete the foregoing City Council review within thirty (30) days following receipt of a written notice of default or dispute notice. Nothing in this Agreement shall prevent or delay Developer or City from seeking a temporary or preliminary injunction in state or federal court if it believes that injunctive relief is necessary on a more immediate basis.

(b) **Mandatory Alternative Dispute Resolution.** After the provisions of Section 13(a) above have been complied with, and pursuant to Code of Civil Procedure §638, *et seq.*, all disputes regarding the enforcement, interpretation or administration of this Agreement (including, but not limited to, appeals from decisions of the City Council, all matters involving Code of Civil Procedure §1094.5, all Ministerial Approvals, Discretionary Approvals, Future Approvals and the application of Applicable Rules) shall be heard and resolved pursuant to the alternative dispute resolution procedure set forth in this Section 13(b). All matters to be heard and resolved pursuant to this Section 13(b) shall be heard and resolved by a single appointed referee who shall be a retired judge from either the California Superior Court, the California Court of Appeals, the California Supreme Court, the United States District Court or the United States Court of Appeals, provided that the appointed referee shall have significant and recent experience in resolving land use and real property disputes. The Parties to this Agreement who are involved in the dispute shall agree and appoint a single referee who shall then try all issues, whether of fact or law, and report in writing to the Parties to such dispute all findings of fact and issues and decisions of law and the final judgments made thereon, in sufficient detail to inform each party as to the basis of the referee's decision. The referee shall try all issues as if he/she were a California Superior Court judge, sitting without a jury, and shall (unless otherwise limited by any term or provision of this Agreement) have all legal and equitable powers granted a California Superior Court judge. Prior to the hearing, the Parties shall have full discovery rights as provided by the California Code of Civil Procedure. At the hearing, the Parties shall have the right to present evidence, examine and cross-examine lay and expert witnesses, submit briefs and have arguments of counsel heard, all in accordance with a briefing and hearing schedule reasonably established by the referee. The referee shall be required to follow and adhere to all laws, rules and regulations of the State of California in the hearing of testimony, admission of evidence, conduct of discovery, issuance of a judgment and fashioning of remedy, subject to such restriction on remedies as set forth in this Agreement. If the Parties involved in the dispute are unable to agree on a referee, any party to the dispute may seek to have a single referee appointed by a California Superior Court judge and the hearing shall be held in Orange County pursuant to California Code of Civil Procedure §640. The cost of any proceeding held pursuant to this Section 13(b) shall initially be borne equally by the Parties involved in the dispute, and each party shall bear its own attorneys' fees. Any referee selected pursuant to this Section shall be considered a temporary judge appointed pursuant to Article 6, Section 21 of the Constitution of the State of California. The cost of the referee shall be borne equally by each party. If any party to the dispute fails to timely pay its fees or costs, or fails to cooperate in the administration of the hearing and decision process as determined by the referee, the referee shall, upon the written request of any party to the dispute, be required to issue a written notice of breach to the defaulting party, and if the defaulting party fails to timely respond or cooperate with the period of time set forth in the notice of default (which in any event may not exceed thirty (30) calendar days), then the referee shall, upon the request of any non-defaulting party, render a default judgment against the defaulting party. At the end of the hearing, the referee shall issue a written judgment (which may include an award of reasonable attorneys' fees and costs as provided elsewhere in this Agreement), which judgment shall be final and binding between the

Parties and which may be entered as a final judgment in a California Superior Court. The referee shall use his/her best efforts to finally resolve the dispute and issue a final judgment within sixty (60) calendar days from the date of his/her appointment. Pursuant to Code of Civil Procedure Section 645, the decision of the referee may be excepted to and reviewed in like manner as if made by the Superior Court.

(1) Any party to the dispute may, in addition to any other rights or remedies provided by this Agreement, seek appropriate judicial ancillary remedies from a court of competent jurisdiction to enjoin any threatened or attempted violation hereof, or enforce by specific performance the obligations and rights of the Parties hereto, except as otherwise provided herein.

(2) The Parties hereto agree that (i) the City would not have entered into this Agreement if it were to be held liable for general, special or compensatory damages for any default under or with respect to this Agreement or the application thereof, and (ii) Developer has adequate remedies, other than general, special or compensatory damages, to secure City's compliance with its obligations under this Agreement. Therefore, the undersigned agree that neither the City nor its officers, employees or agents shall be liable for any general, special or compensatory damages to Developer or to any successor or assignee or transferee of Developer for the City's breach or default under or with respect to this Agreement; and Developer covenants not to sue the City, its officers, employees or agents for, or claim against the City, its officers, employees or agents, any right to receive general, special or compensatory damages for the City's default under this Agreement. Notwithstanding the provisions of this Section 13(b)(2), City agrees that Developer shall have the right to seek a refund or return of a deposit made with the City or fee paid to the City in accordance with the provisions of the Applicable Rules.

(c) In the event Developer challenges an ordinance or regulation of the City as being outside of the authority of the City pursuant to this Agreement, Developer shall bear the burden of proof in establishing that such ordinance, rule, regulation, or policy is inconsistent with the terms of this Agreement and applied in violation thereof.

14. Transfers and Assignments.

(a) Right to Assign. Developer shall have the right to encumber, sell, transfer or assign all or any portion of the Project which it may own to any person or entity (such person or entity, a "Transferee") at any time during the term of this Agreement without approval of the City, provided that Developer provides the City with written notice of the applicable transfer within thirty (30) days of the transfer, along with notice of the name and address of the assignee. Nothing set forth herein shall cause a lease or license of any portion of the Project to be deemed to constitute a transfer of the Project, or any portion thereof. This Agreement may be assigned or transferred by Developer as to and in conjunction with the sale or transfer of all or a portion of the Project, as permitted by this Section 14, provided that the Transferee has agreed in writing to be subject to all of the provisions of this Agreement applicable to the portion of the Project so transferred.

(b) Liabilities Upon Transfer. Upon the delegation of all duties and obligations and the sale, transfer or assignment of all or any portion of the Project to a Transferee,

Developer shall be released from its obligations under this Agreement with respect to the Project or portion thereof so transferred arising subsequent to the effective date of such transfer if (1) Developer has provided to City thirty (30) days' prior written notice of such transfer and (2) the Transferee has agreed in writing to be subject to all of the provisions hereof applicable to the portion of the Project so transferred. Upon any transfer of any portion of the Project and the express assumption of Developer's obligations under this Agreement by such Transferee, the Transferee becomes a party to this Agreement, and the City agrees to look solely to the Transferee for compliance by such Transferee with the provisions of this Agreement as such provisions relate to the portion of the Project acquired by such Transferee. Any such Transferee shall be entitled to the benefits of this Agreement and shall be subject to the obligations of this Agreement, applicable to the parcel(s) transferred. A default by any Transferee shall only affect that portion of the Project owned by such Transferee and shall not cancel or diminish in any way Developer's rights hereunder with respect to any portion of the Project not owned by such Transferee. The Transferee shall be responsible for the reporting and annual review requirements relating to the portion of the Project owned by such Transferee, and any amendment to this Agreement between City and a transferee shall only affect the portion of the Project owned by such transferee. In the event that Developer retains its obligations under this Agreement with respect to the portion of the Project transferred by Developer, the Transferee in such a transaction (a "**Non-Assuming Transferee**") shall be deemed to have no obligations under this Agreement, but shall continue to benefit from all rights provided by this Agreement for the duration of the term set forth in Section 12. Nothing in this section shall exempt any Non-Assuming Transferee from payment of applicable fees and assessments or compliance with applicable permit conditions of approval or mitigation measures.

15. **Mortgage Protection**. The Parties hereto agree that this Agreement shall not prevent or limit Developer, at Developer's sole discretion, from encumbering the Project or any portion thereof or any improvement thereon in any manner whatsoever by any mortgage, deed of trust, sale/leaseback, synthetic lease or other security device securing financing with respect to the Project. City acknowledges that the lender(s) providing such financing may require certain Agreement interpretations and modifications and agrees, upon request, from time to time, to meet with Developer and representatives of such lender(s) to negotiate in good faith any such request for interpretation or modification; provided, however, that no such interpretations or modifications shall diminish the public benefits received under this Agreement unless the City agrees to the acceptance of such diminished public benefits. City will not unreasonably withhold its consent to any such requested interpretation or modification, provided such interpretation or modification is consistent with the intent and purposes of this Agreement. Any mortgagee of a mortgage or a beneficiary of a deed of trust or landlord under a sale/leaseback, synthetic lease or lender providing secured financing in any manner ("**Mortgagee**") on the Project shall be entitled to the following rights and privileges:

(a) **Mortgage Not Rendered Invalid**. Neither entering into this Agreement nor a breach of this Agreement shall defeat, render invalid, diminish, or impair the lien of any mortgage, deed of trust or other financing documents on the Project made in good faith and for value.

(b) **Request for Notice to Mortgagee**. The Mortgagee of any mortgage, deed of trust or other financing documents encumbering the Project, or any part thereof, who has submitted a request in writing to City in the manner specified herein for giving notices shall be

entitled to receive written notification from City of any default by Developer in the performance of Developer's obligations under this Agreement.

(c) **Mortgagee's Time to Cure.** If City timely receives a request from a Mortgagee requesting a copy of any notice of default given to Developer under the terms of this Agreement, City shall provide a copy of that notice to the Mortgagee within ten (10) days of sending the notice of default to Developer. The Mortgagee shall have the right, but not the obligation, to cure the default during the remaining cure period allowed Developer under this Agreement, as well as any reasonable additional time necessary to cure, including reasonable time for reacquisition of the Project or the applicable portion thereof.

(d) **Project Taken Subject to Obligations.** Any Mortgagee who comes into possession of the Project or any portion thereof, pursuant to foreclosure of the mortgage, deed of trust, or other financing documents, or deed in lieu of foreclosure, shall take the Project or portion thereof subject to the terms of this Agreement; provided, however, that in no event shall such Mortgagee be held liable for any default or monetary obligation of Developer arising prior to acquisition of title to the Project by such Mortgagee, except that no such Mortgagee (nor its successors or assigns) shall be entitled to a building permit or occupancy certificate until all delinquent and current fees and other monetary obligations due under this Agreement for the Project or portion thereof acquired by such Mortgagee have been paid to City.

16. **Notices.** All notices under this Agreement shall be in writing and shall be deemed delivered when personally received by the addressee, or within three (3) calendar days after deposit in the United States mail by registered or certified mail, postage prepaid, return receipt requested, to the following Parties and their counsel at the addresses indicated below; provided, however, if any party to this Agreement delivers a notice or causes a notice to be delivered to any other party to this Agreement, a duplicate of that Notice shall be concurrently delivered to each other party and their respective counsel.

If to City:

City of Orange
300 East Chapman Avenue
Orange, CA 92866
Attention: City Manager
Facsimile: (714) 744-5147

With a copy to:

Wayne Winthers, Esq.
City Attorney
City of Orange
300 East Chapman Avenue
Orange, California 92866
Facsimile: (714) 538-7157

If to Developer:

ORANGE COUNTY HEALTH AUTHORITY, a public
agency doing business as CalOptima
505 City Parkway West
Orange, California 92868
Attention: Mr. Mike Ruane

Facsimile: (714) 571-2416

Notice given in any other manner shall be effective when received by the addressee. The addresses for notices may be changed by notice given in accordance with this provision.

17. **Severability and Termination.** If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid or unenforceable, or if any provision of this Agreement is superseded or rendered unenforceable according to any law which becomes effective after the Effective Date, the remainder of this Agreement shall be effective to the extent the remaining provisions are not rendered impractical to perform, taking into consideration the purposes of this Agreement.

18. **Time of Essence.** Time is of the essence for each provision of this Agreement of which time is an element.

19. **Force Majeure.** Changed conditions, changes in local, state or federal laws or regulations, floods, earthquakes, delays due to strikes or other labor problems, moratoria enacted by City or by any other governmental entity or agency (subject to Sections 5 and 8 of this Agreement), third-party litigation, injunctions issued by any court of competent jurisdiction, initiatives or referenda, the inability to obtain materials, civil commotion, fire, acts of God, or other circumstances which substantially interfere with the development or construction of the Project, or which substantially interfere with the ability of any of the Parties to perform its obligations under this Agreement, shall collectively be referred to as "**Events of Force Majeure**". If any party to this Agreement is prevented from performing its obligation under this Agreement by any Event of Force Majeure, then, on the condition that the party claiming the benefit of any Event of Force Majeure, (a) did not cause any such Event of Force Majeure and (b) such Event of Force Majeure was beyond said party's reasonable control, the time for performance by said party of its obligations under this Agreement shall be extended by a number of days equal to the number of days that said Event of Force Majeure continued in effect, or by the number of days it takes to repair or restore the damage caused by any such Event to the condition which existed prior to the occurrence of such Event, whichever is longer. In addition, the termination date of this Agreement as set forth in Section 12 of this Agreement shall be extended by the number of days equal to the number of days that any Events of Force Majeure were in effect.

20. **Sole Obligation of Health Authority.** As required by County of Orange Ordinance No. 3896 and amendments thereto, any obligation of the Orange County Health Authority created by this Development Agreement shall not be an obligation of the County of Orange.

21. **Waiver.** No waiver of any provision of this Agreement shall be effective unless in writing and signed by a duly authorized representative of the party against whom enforcement of a waiver is sought.

22. **No Third Party Beneficiaries.** This Agreement is made and entered into for the sole protection and benefit of the Developer and the City and their successors and assigns. Notwithstanding anything contained in this Agreement to the contrary, no other person shall have any right of action based upon any provision of this Agreement.

23. **Attorneys' Fees.** In the event any dispute hereunder is resolved pursuant to the terms of Section 13 (b) hereof, or if any party commences any action for the interpretation, enforcement, termination, cancellation or rescission of this Agreement, or for specific performance for the breach hereof, the prevailing party shall be entitled to its reasonable attorneys' fees, litigation expenses and costs arising from the action. Attorneys' fees under this Section shall include attorneys' fees on any appeal as well as any attorneys' fees incurred in any post judgment proceedings to collect or enforce the judgment.

24. **Incorporation of Exhibits.** The following exhibits which are part of this Agreement are attached hereto and each of which is incorporated herein by this reference as though set forth in full:

- (a) Exhibit "A" — Legal Description of the 605 Building Site;
- (b) Exhibit "B" — Copy of Resolution No. 9843 of the City Council of the City of Orange;
- (c) Exhibit "C" – Legal Description of the City Tower Two Site; and
- (d) Exhibit "D" — Public Benefit Fees.

25. **Copies of Applicable Rules.** Prior to the Effective Date, the City and Original Developer prepared two (2) sets of the Applicable Rules, one each for City and Original Developer, so that if it became necessary in the future to refer to any of the Applicable Rules, there would be a common set available to the Parties. The City agrees to deliver to Developer a copy of the Applicable Rules upon request.

26. **Authority to Execute, Binding Effect.** Developer represents and warrants to the City that it has the power and authority to execute this Agreement and, once executed, this Agreement shall be final, valid, binding and enforceable against Developer in accordance with its terms. The City represents and warrants to Developer that (a) all public notices and public hearings have been held in accordance with law and all required actions for the adoption of this Agreement have been completed in accordance with applicable law; (b) this Agreement, once executed by the City, shall be final, valid, binding and enforceable on the City in accordance with its terms; and (c) this Agreement may not be amended, modified, changed or terminated in the future by the City except in accordance with the terms and conditions set forth herein.

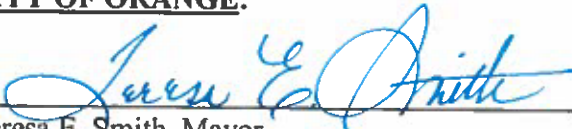
27. **Entire Agreement; Conflicts.** This Agreement represents the entire of the Parties. This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous s between the Parties or their predecessors in interest with respect to all or any part of the subject matter hereof. Should any or all of the provisions of this Agreement be found to be in conflict with any other provision or provisions found in the Applicable Rules, then the provisions of this Agreement shall prevail.

28. **Remedies.** Upon either party's breach hereunder, the non-breaching party shall be permitted to pursue any remedy provided for hereunder.

[SIGNATURES BEGIN ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties have each executed this Agreement on the date first written above.

CITY OF ORANGE:



Teresa E. Smith, Mayor

ATTEST:



Mary E. Murphy, City Clerk

APPROVED AS TO FORM:

By: 

Wayne W. Winthers, City Attorney

DEVELOPER:

ORANGE COUNTY HEALTH AUTHORITY,
a public agency doing business as CalOptima

By: ORANGE COUNTY HEALTH AUTHORITY,
a public agency doing business as CalOptima

M. Schrader
Print Name: Michael Schrader
its Chief Executive Officer

By: ORANGE COUNTY HEALTH AUTHORITY,
a public agency doing business as CalOptima

Print Name: _____
its _____

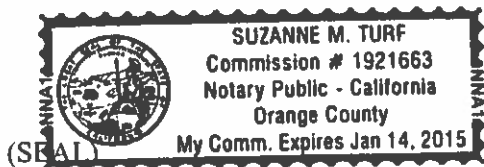
ACKNOWLEDGMENTS

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On Dec. 9, 2014, before me, Suzanne M. Turf, Notary Public, personally appeared Michael Schroeder, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is subscribed to the within instrument and acknowledged to me that ~~he/she/they~~ executed the same in his/her/their authorized capacity(ies), and that by ~~his/her/their~~ signature on the instrument, the person(s), or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



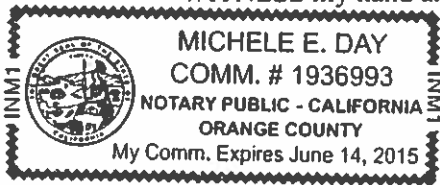
Suzanne M. Turf
Notary Public in and for said State

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On Dec. 10, 2014, before me, Michele E. Day, personally appeared Teresa E. Smith, who proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is subscribed to the within instrument and acknowledged to me that ~~he/she/they~~ executed the same in his/her/their authorized capacity(ies), and that by ~~his/her/their~~ signature on the instrument, the person(s), or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Michele E. Day
Notary Public in and for said State

(SEAL)

EXHIBIT "A"

**LEGAL DESCRIPTION
605 BUILDING TWO**

That certain real property located in the City of Orange, County of Orange, State of California, described as follows:

PARCEL A:

PARCEL 2 OF THE LOT LINE ADJUSTMENT NO. LL94-1, IN THE CITY OF ORANGE, COUNTY OF ORANGE, STATE OF CALIFORNIA, RECORDED APRIL 12, 1996 AS INSTRUMENT NO. 96-180461, OFFICIAL RECORDS.

EXCEPT FROM THAT PORTION THEREOF INCLUDED WITHIN THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF FRACTIONAL SECTION 35, TOWNSHIP 4 SOUTH, RANGE 10 WEST, IN THE RANCHO LAS BOLSAS, IN THE CITY OF ORANGE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 51, PAGE 10 OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, ALL OIL AND OTHER MINERAL RIGHTS IN OR UNDER SAID LAND, LYING BELOW A DEPTH OF 500 FEET FROM THE SURFACE THEREOF, BUT WITHOUT THE RIGHT OF ENTRY, AS RESERVED IN THE DEED FROM CHESTER M. BARNES AND OTHERS, RECORDED OCTOBER 2, 1999 IN BOOK 4911, PAGE 214, OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM ALL SUBSURFACE WATER AND SUBSURFACE WATER RIGHTS IN AND UNDER SAID LAND.

PARCEL B:

A NONEXCLUSIVE EASEMENT FOR UTILITY FACILITIES FOR THE BENEFIT OF PARCEL A, IN, ON, OVER, TO, UNDER, THROUGH, UPON AND ACROSS THE REAL PROPERTY DESCRIBED IN THAT CERTAIN DECLARATION OF UTILITY LINE EASEMENT, DATED JULY 11, 1996, AND RECORDED JULY 11, 1996 AS INSTRUMENT NO. 19960354693 OF OFFICIAL RECORDS, AS SET FORTH IN SAID DECLARATION.

EXHIBIT "B"

COPY OF RESOLUTION NO. 9843

OF THE CITY COUNCIL OF THE CITY OF ORANGE

EXHIBIT "B"

-1-

RESOLUTION NO. 9843

**A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF ORANGE AMENDING
CONDITIONAL USE PERMIT 2378-01, 2379-01
AND 2380-01; MAJOR SITE PLAN REVIEW
NOS. 106-99, 107-99 AND 108-99.**

WHEREAS, on October 10, 2001, the City Council adopted resolutions approving the following conditional use permits, major site plan reviews:

1. The Chapman Site consisting of 132,000 square feet of office space and a 137-room hotel (Resolution No. 9519);
2. City Tower Two Site consisting of 465,000 square feet of office space and eight-level parking structure (Resolution No. 9520);
3. 605 Building Site consisting of 200,000 square feet of office space and a five-level parking structure (Resolution No. 9521);
4. City Plaza Two Site consisting of 136,000 square feet of office building and a six-level parking structure (Resolution No. 9522); and

WHEREAS, the foregoing four projects are hereafter referred to as the EOP Projects; and

WHEREAS, the City Council considered and approved Final Environmental Impact Report No. 1612-01 (hereafter, the FEIR) which analyzed the environmental impacts of the EOP Projects; and

WHEREAS, the City commissioned the West Orange Circulation Study (hereafter, WOC Study) to analyze the traffic impacts of the EOP Projects, expansion of The Block at Orange and expansion of UCI Medical Center; and

WHEREAS, the WOC Study identified approximately \$3.5 million in traffic improvements and assigned fair share costs of such improvements to the following projects: (1) UCI Medical Center expansion, 32%; (2) EOP Projects 38% (identified in the WOC Study as Spieker Office Properties); and (3) The Block at Orange expansion, 30%; and

WHEREAS, as a result of the WOC Study the FEIR, as well as Resolution Nos. 9519-9522 require the EOP Projects as a mitigation measure to pay 38% of the cost of the traffic improvements identified in the WOC Study as its fair share contribution (hereafter WOC Traffic Improvements); and

WHEREAS, Resolutions Nos. 9519-9522 also require the EOP Projects to fully fund three improvements identified in conditions nos. 32, 34 and 35 of such resolutions and pursuant to condition no. 33, to pay a fair share of the cost of a bridge

widening on Orangewood Avenue near its intersection with State Route 57 (hereafter conditions 32-35 are referred to as, Traffic Improvement Conditions); and

WHEREAS, on January 19, 2004, the Planning Commission adopted Resolution No. PC 04-04 approving a new development on the Chapman Site which includes, but is not limited to, 58,260 square feet of commercial space and a fast food restaurant (hereafter, Best Buy Project) which would replace the Chapman Site component (City Council Resolution 9519) of the EOP Projects; and

WHEREAS, CA-The City (Chapman) Limited Partnership is in escrow to sell the Chapman Site to City Town Center, L.P., for development of the Best Buy Project; and

WHEREAS, EOP-The City, L.L.C., has requested that the City proportionally reduce the fair share cost of the WOC Traffic Improvements and Traffic Improvement Conditions to reflect the fact that the Chapman Site is no longer a component of the EOP Projects; and

WHEREAS, City staff has determined that such a reduction is appropriate and will fairly reflect the traffic impacts caused by the EOP Projects, exclusive of the Chapman Site (hereafter, the Remaining EOP Projects).

NOW, THEREFORE, BE IT RESOLVED THAT THE CITY COUNCIL OF THE CITY OF ORANGE FINDS AND DETERMINES as follows:

1. The Remaining EOP Projects shall not bear the costs of the Chapman Site's fair share of the WOC Traffic Improvements, as originally identified in the FEIR and the WOC Study. The fair shares of the EOP Projects for the WOC Traffic Improvements, as identified in the FEIR and WOC Study are reflected in the attached Exhibit A.
2. The Remaining EOP Projects shall not bear the costs of the Chapman Site's fair share of the Traffic Improvement Conditions as identified in the FEIR. The fair shares of the EOP Projects for the Traffic Improvement Conditions, as identified in the FEIR are reflected in the attached Exhibit A.
3. This Resolution shall only become effective upon City Town Center, L.P., becoming the owner of the Chapman Site.

ADOPTED this 9th day of March, 2004.

**ORIGINAL SIGNED BY
MARK A. MURPHY**

Mark A. Murphy, Mayor, City of Orange

ATTEST:

**ORIGINAL SIGNED BY
MARY E. MURPHY**

Mary E. Murphy, City Clerk, City of Orange

I, MARY E. MURPHY, City Clerk of the City of Orange, California, do hereby certify that the foregoing Resolution was duly and regularly adopted by the City Council of the City of Orange at a regular meeting thereof held on the 9th day of March, 2004, by the following vote:

AYES:	COUNCILMEMBERS: Ambriz, Alvarez, Murphy, Coontz
NOES:	COUNCILMEMBERS: None
ABSENT:	COUNCILMEMBERS: Cavccche
ABSTAIN:	COUNCILMEMBERS: None

**ORIGINAL SIGNED BY
MARY E. MURPHY**

Mary E. Murphy, City Clerk, City of Orange

EXHIBIT "A"

	Intersection Identified in the WOC Study ¹	Chapman Site ²	City Tower Two	City Plaza 2 Share	605 Bldg. Share	EOP Total
1	State College & Katella	0%	1%	1%	0%	2%
3	SR-57 NB Ramps & Katella	0%	1%	1%	0%	2%
4	State College & Gene Autry Way	0%	0%	0%	0%	0%
5	State College & Orangewood	0%	2%	1%	1%	4%
6	SR-57 SB Ramps & Orangewood	1%	3%	2%	1%	7%
10	Haster & Chapman	6%	10%	8%	5%	29%
11	Lewis & Chapman	15%	22%	24%	14%	75%
13	The City & Chapman	8%	19%	4%	2%	33%
14	I-5 SB Ramp on-Ramp & Chapman	5%	16%	2%	1%	
19	The City Dr. & The City Way	2%	10%	2%	1%	15%
23	Haster & Lampson	4%	7%	14%	8%	33%
27	The City Dr. & SR-22 EB Ramps	1%	9%	4%	2%	
29	Haster & Garden Grove Blvd.	1%	2%	2%	1%	6%
30	Fairview & Garden Grove Blvd.	1%	3%	6%	3%	13%
31	Lewis & Garden Grove Blvd.	1%	3%	15%	9%	28%
32	The City Dr. & Garden Grove Blvd.	1%	7%	5%	3%	16%
34	Howell & Katella	2%	0%	0%	0%	2%

Traffic Improvement Conditions ³	Intersection	Chapman Site	City Tower	City Plaza	605	EOP Total
32	The City Drive/Garden Grove	10%	90%			100%
33	SR-57/Orangewood Ave.(Bridge Widening)	14%	47%	25%	14%	100%
34	Haster SU/Chapman Ave.	21%	36%	27%	16%	100%
35	Lewis SU/Garden Grove Blvd.	5%	13%	52%	30%	100%

→ = ¹ The shaded intersections are identified in the FEIR and WOC Study and are the only intersections requiring traffic improvements and a fair share contribution.

² Referred to as the "North Parcel" in the FEIR tables.

³ Conditions are those referenced in City Council Resolutions 9519-9522.

EXHIBIT "C"

**LEGAL DESCRIPTION
CITY TOWER TWO SITE**

Parcel 2 of Parcel Map No. 81-769 recorded in Book 172, Pages 40-42 of Parcel Maps, in the Office of the County Recorder of Orange County, California.

EXHIBIT "D"

PUBLIC BENEFIT FEES

In the event that Developer elects, in accordance with the terms and upon the conditions set forth in Section "12. Term of Agreement" of this Agreement, to extend the term of this Agreement, then Developer shall pay the following Public Benefit Fees in the amounts and at the times hereinafter described:

1. Within forty-five (45) days of the mutual execution of this Agreement by Developer and the City, Developer shall pay to the City the sum of \$50,000 (such amount being the "**First Public Benefit Fee**").

2. If Developer elects, in its sole and absolute discretion, to extend the term of this Agreement beyond the Initial Term, then Developer shall pay to the City the sum of \$50,000 (such amount being the "**Second Public Benefit Fee**") no later than fifteen (15) days prior to the expiration of the Initial Term.

3. If Developer elects, in its sole and absolute discretion, to extend the term of this Agreement beyond the First Automatic Renewal Term, then Developer shall pay to the City the sum of \$100,000 (such amount being the "**Third Public Benefit Fee**") no later than fifteen (15) days prior to the expiration of the First Automatic Renewal Term.

For the avoidance of doubt, Developer's election to extend the term of this Agreement shall be in Developer's sole and absolute discretion, and the City's sole remedy for Developer's failure to pay any portion of the Public Benefit Fee within the term periods set forth above shall be to terminate this Agreement.

CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken December 1, 2016 **Regular Meeting of the CalOptima Board of Directors**

Report Item

10. Authorize Vendor Contract(s) and/or Contract Amendment(s) for Services Related to CalOptima's Development Rights at the 505 City Parkway Site and Funding to Develop a Site Plan

Contact

Chet Uma, Chief Financial Officer, (714) 246-8400

Recommended Actions

1. Authorize the amendment of CalOptima's contract with real estate consultant Newport Real Estate Services to include site plan development; and
2. Appropriate expenditures from existing reserves of up to \$7,000 to provide funding for this contract amendment.

Background

At its January 2011 meeting, the CalOptima Board of Directors authorized the purchase of land and an office building located at 505 City Parkway West, Orange, California, and the assumption of development rights associated with the parcel pursuant to a 2004 Development Agreement with the City of Orange. The development rights include the possible construction of an office tower of up to ten stories and 200,000 square feet of office space, and a parking structure of up to five-levels and 1,528 spaces. The potential second office tower and parking structure are referred to as the 605 Building Site. At the time of CalOptima's purchase of the land and building, the expiration date for the Development Agreement was October 28, 2014.

At its October 2, 2014 meeting, the CalOptima Board of Directors authorized the CEO to enter into an Amended and Restated development agreement with the City of Orange to extend CalOptima's development rights for up to six years. The extension was approved by the City of Orange Planning Commission on September 15, 2014, and the Orange City Council on November 25, 2014. Assuming CalOptima makes required public benefit fee payments to the City of Orange, the expiration date for the current development agreement is October 28, 2020.

At the August 4, 2016 meeting, the Board authorized a contract with a real estate consultant to assist in evaluating options related to CalOptima's development rights, and approved a budget allocation of \$22,602 from existing reserves to fund the contract through June 30, 2017.

Discussion

Site Plan Development

Pursuant to the Board action on August, 4, 2016, CalOptima contracted with real estate consultant, Newport Real Estate Services, to provide market research, evaluate development feasibility and financial feasibility, and recommend options based on CalOptima's development rights. To move forward in exploring options related to the development rights, the consultant has recommended the

CalOptima Board Action Agenda Referral
Authorize Vendor Contract(s) and/or Contract Amendment(s) for
Services Related to CalOptima's Development Rights at the 505 City
Parkway Site and Funding to Develop a Site Plan
Page 2

development of a site plan to further inform the Board of potential opportunities. The projected cost to develop a site plan is \$7,000.

Update from the Finance and Audit Committee (FAC)

At the November 17, 2016, meeting, the FAC received presentations from Management and real estate consultant, Newport Real Estate Services. Committee members requested Staff return to the FAC with additional information on the development rights at the next FAC meeting on February 16, 2017. Tentatively, Staff anticipates the FAC's recommendation will be put forward for the full Board's consideration at the March 2, 2017, meeting.

Fiscal Impact

The recommended action to fund the contract with a real estate consultant to develop a site plan is an unbudgeted item. An allocation of \$7,000 from existing reserves will fund this action.

Rationale for Recommendation

Management anticipates that CalOptima's space needs will continue to grow in the near term. To accommodate this growth, management recommends that the Board authorize the CEO to fully explore options available with the existing development rights and to ensure that CalOptima's space needs are adequately met in the future.

Concurrence

Gary Crockett, Chief Counsel

Attachment

CalOptima Board Action dated August 4, 2016, Consider Authorizing Contract with a Real Estate Consultant to Assist in the Evaluation of Options Related to CalOptima's Development Rights and Approve Budget Allocation

/s/ Michael Schrader
Authorized Signature

11/22/2016
Date

LONG-RANGE STRATEGIC REAL ESTATE PLAN – EXCESS REAL ESTATE: DEVELOPMENT OR DISPOSITION - UPDATE

- FINANCE AND AUDIT COMMITTEE MEETING
- FEBRUARY 16, 2017
- GLEN ALLEN, PRESIDENT
- NEWPORT REAL ESTATE SERVICES, INC.

Purpose of Presentation

- CalOptima Staffing Needs
- Review Site Plan
- Review Development Rights Options: Pros/Cons
- Review Development Rights Timeline
- CalOptima Development vs. 3rd Party Disposition

Summary of Discussion

Needs Assessment

- Assumptions
- Conclusions

Real Estate Alternatives

- Develop CalOptima Property
- 3rd Party/Disposition Alternatives – With Rights to Occupy

Needs Assessment - Assumptions

- Optimized Telecommuting
- Assumes Projected Programs
 - Cal-MediConnect
 - Medi-Cal
 - OneCare
 - PCC Program
 - ACA Related and Demographic-Trend Member Growth
- Recapture of all 505 Space
- 1 person/181 s.f. space allocation

Current Space Projection

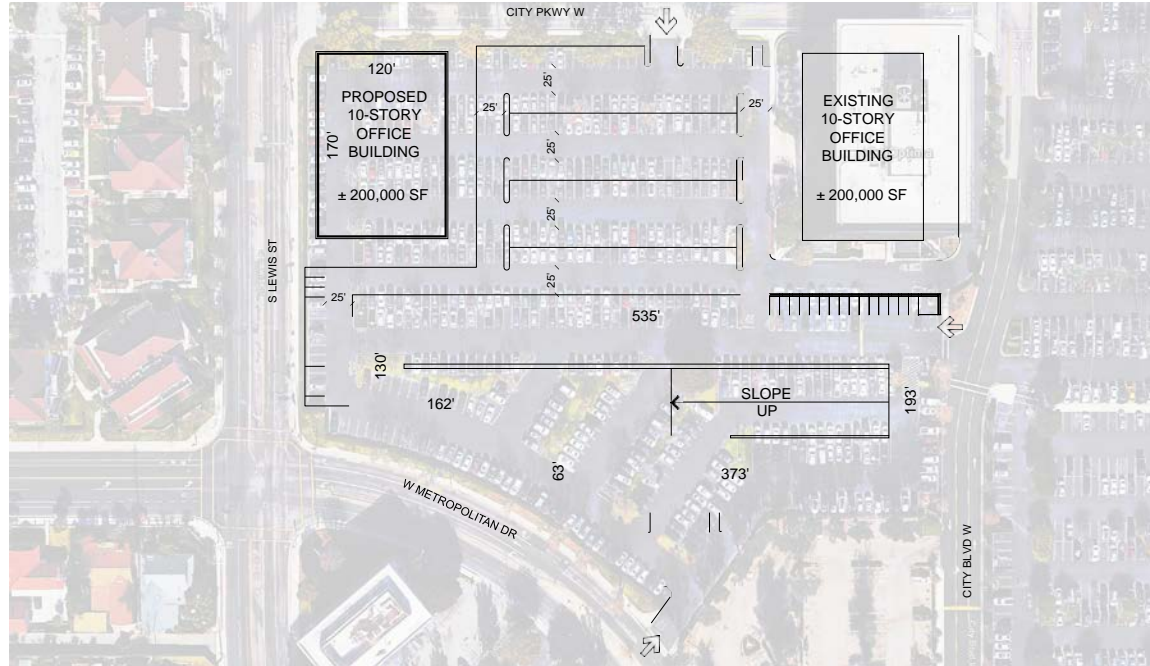
505 Building Available Seats

On Site	749
Filled Seats	46
Sub-Total	795
Teleworker/Community	318
Total	1,114
Total Space Available	1,025
Filled Seats and Temp Help	(795)
Total Vacant Spaces	257
Pending Requests to Fill	(142)
Expected Employee Count for New Programs	(26)
Net Space Surplus (Shortfall)	89
10th Floor Space	85
Total Surplus (Shortfall)	174

Space Alternatives

- Offsite Lease or Purchase
- Extensive Telecommuting
- Multiple Shifts
- Relocate to a Larger Building
- Develop Adjacent CalOptima Property

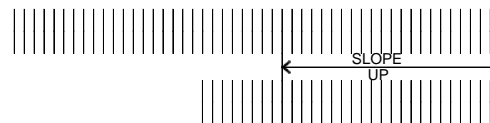
Site Plan



SITE PLAN

PROJECT DATA:

ZONING: UMU - URBAN MIXED USE
 SITE AREA: ± 272,757 SF (±6.361 AC)
 EXISTING BUILDING: 200,000 SF
 PROPOSED BUILDING: 200,000 SF
 TOTAL BUILDING: 400,000 SF
 F.A.R.: 1.46
 PARKING REQUIRED: 2,000 STALLS
 (400,000 SF @ 5/1000)
 PARKING PROVIDED: ±2,032 STALLS
 SURFACE: 192 STALLS
 1ST FLOOR STRUCTURE: 240 STALLS
 2-6TH FLOOR STRUCTURE: 1,450 STALLS
 (290/STORY, TYP.)
 7TH FLOOR: ±150 STALLS



TYPICAL PARKING LEVEL

Development/Disposition Alternatives

RFI (To be Prepared)

- Direct Sale
- Ground Lease
- Joint Venture
- Trade of Nearby Property
(Options to Occupy)

CalOptima Development/Construction

- Design/Bid/Build
- Design/Build
- Balance Sheet/Capital Implications
- Vacant Area Risk Assessment

Extend Development Agreement

- City Approval Required
- Fee Payment Likely Required

Development Alternative Options

		Pros	Cons	Fiscal
Direct Sale:	CalOptima could directly sell the development rights and secure space for CalOptima's use.	<ol style="list-style-type: none"> 1. Large one time capital infusion 2. Reserved right for additional space 3. No development risk 	<ol style="list-style-type: none"> 1. Loss of future control 2. Restricted expansion rights 3. Lease payments required on additional space 	<ol style="list-style-type: none"> 1. Large, one-time capital event 2. No on-going income 3. Lease payments for additional space
Ground Lease:	CalOptima could lease the property to a developer.	<ol style="list-style-type: none"> 1. Long-term income stream 2. Reserved right for additional space 3. No development risk 	<ol style="list-style-type: none"> 1. Loss of future control 2. Restricted expansive rights 3. Lease payments required on additional space 	<ol style="list-style-type: none"> 1. Long-term income stream with periodic adjustments 2. Lease payments for additional space
Direct Development:	CalOptima could assign the development rights to a developer, who would provide space back to CalOptima in return.	<ol style="list-style-type: none"> 1. Property is already owned by CalOptima 2. Current Entitlement already in place 3. Multiple delivery/financing options 4. Total flexibility with building design 5. Future expansion space 6. Inclusion of PACE 7. Incorporation of formal board space 8. Eliminate need for offsite leased space 	<ol style="list-style-type: none"> 1. Time to delivery: 22-30 months 2. Splits staff to 2 buildings 3. Capital requirement 	<ol style="list-style-type: none"> 1. Large capital expenditures for development required 2. No future rent payments 3. No lease payment for additional space 4. Lease income from expansion space tenants
Joint Venture:	CalOptima could develop the property jointly with a developer.	<ol style="list-style-type: none"> 1. Participation in development Upside 2. Reserved right for additional space 3. Reduced development risk 	<ol style="list-style-type: none"> 1. Participation in development Downside 2. Some cash flow and development risks 3. No cash flow during development and lease-up period 4. Consistency with CalOptima core mission 5. Market Risk 	<ol style="list-style-type: none"> 1. Variable on-going income from project cash flow 2. No large capital contribution required
Exchange for Nearby Property:	CalOptima could exchange the development rights for a developed property	<ol style="list-style-type: none"> 1. Ability to obtain pre-built expansion space 2. Likely "built-in" phased space availability 3. On-going cash flow 	<ol style="list-style-type: none"> 1. Market Risk 2. Building operations obligations 3. Value of suitable trade property 	<ol style="list-style-type: none"> 1. No large capital outlay 2. On-going income stream

Conceptual Development Timeline



CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken December 7, 2017 Regular Meeting of the CalOptima Board of Directors

Report Item

22. Consider Actions Related to CalOptima's Development Agreement with the City of Orange

Contact

Greg Hamblin, Chief Financial Officer, (714) 246-8400

Phil Tsunoda, Executive Director, Public Policy and Public Affairs, (714) 246-8400

Recommended Actions

1. Receive and file the Property and Associated Development Rights Request for Information (RFI) results, dated April 21, 2017, that relate to property covered by CalOptima's existing development agreement at the 505 City Parkway West project site:
2. Authorize the Chief Executive Officer (CEO) to: complete a Request for Proposal (RFP) process to select a real estate development consultant to assist CalOptima in:
 - a. Contact the City of Orange (City) to explore:
 - i. Extending CalOptima's existing development agreement for as long as possible (e.g., through 2026);
 - ii. Broadening CalOptima's rights under the development agreement from commercial/office to include urban mixed use, including transitional housing; the current Development Agreement with the City of Orange, which covers an office tower of up to 10 stories and a 1,528 space parking structure
 - b. After confirming that the City is amenable to the proposed changes: Developing a plan for moving forward with a parking structure
 - i. Initiate a RFI process on development options for the site assuming the use of no Medi-Cal dollars and including a parking structure;
 - ii. Seek assistance from the County of Orange Real Estate (Development Services) Department, as appropriate.
 - c. ~~Conducting analysis and making recommendations on permissible options for further development of the site (e.g., Mixed Use, etc.), along with potential costs and funding mechanisms that would be associated with the exercise of each option.~~

Rev.
12/7/17

Background

At its January 2011 meeting, the CalOptima Board of Directors authorized the purchase of an office building located at 505 City Parkway West, Orange, California, and the assumption of development rights associated with the parcel pursuant to a 2004 Development Agreement with the City of Orange. The development rights include the possible construction of an office tower of up to 10 stories and 200,000 square feet of office space, and a parking structure of up to five levels and 1,528 spaces. The office tower and parking structure are referred to as the 605 Building Site. At the time of CalOptima's purchase of the 505 City Parkway West building, the expiration date for the Development Agreement was October 28, 2014.

At its October 2, 2014, meeting, the CalOptima Board of Directors authorized an amended and restated Development Agreement with the City of Orange to extend CalOptima's development rights for six

years, until October 28, 2020. The extension was approved by the City of Orange Planning Commission on September 15, 2014, and the Orange City Council on November 25, 2014. CalOptima agreed to pay a required \$200,000 public benefit fee to the City of Orange in exchange for the extension.

In 2016, at its August 4th and December 1st meetings, the Board authorized contracts with real estate consultant Newport Real Estate Services, Inc. to evaluate options for CalOptima's current development rights and to create a site plan. Newport Real Estate Services completed this analysis and presented the requested information to the Board's Finance and Audit Committee (FAC) in February 2017, and FAC recommended that the Board authorize issuance of a Property and Associated Development Rights Request for Information (RFI). The RFI was designed to gauge potential interest in and options for CalOptima's development rights. The Board approved the issuance of an RFI at its March 2, 2017, meeting.

By the close of the RFI response period on April 21, 2017, only one response had been received, from Trammel Crow Company. The RFI was narrowly focused on office space and parking, as per the current Development Agreement. This limited response to the RFI, as well as other informal discussions with industry representatives during the RFI process, may reflect the real estate community's limited level of interest in commercial office space at this time.

Discussion

In the years since the purchase of 505 City Parkway West, CalOptima's membership has grown significantly with the implementation of the Affordable Care Act. And while membership has been essentially stable in 2017, the operational and oversight demands have continued to grow, as have the number of programs the state has folded into the Medi-Cal managed care plans, in large part due to their member focus and cost effectiveness. While approximately 10% of the available 505 building workstations are currently unoccupied, the building is currently fully occupied as this "flex space" is critical to the Facilities Department's efforts to optimize available workspace to maximum workforce productivity (e.g., placing employees in a particular department in the same area/on the same floor of the building).

While CalOptima's existing office tower and employee workspaces are meeting current needs (with nearly one third of the staff in telework positions), it is anticipated that longer term, additional space may be required to meet the organization's needs. In the immediate term, parking is a pressing issue, with available spaces marginally adequate to meet parking needs during peak hours of operations. While management has explored a number of options to reduce the need to parking (e.g., further expansion of the telework program, carpools, vanpools, flexible start times, supporting alternative transportation, etc.), the need for additional parking is an increasingly pressing issue. One approach under consideration would be to recommend development of the parking structure initially, with a decision on the office tower development rights addressed at a later date.

Regarding the potential development of a second ten story office tower at this time, with the assumption that it would at least initially be partially occupied by third parties, various market factors suggest that growth in demand for professional office space by third party tenants in the North Orange County region appears somewhat limited, though in the immediate area, virtually all available commercial space is currently occupied. According to a Second Quarter 2017 analysis by Colliers

International, market activity has slowed compared with the past two years. Staff's understanding is that average lease rates in the North Orange County area remain at approximately \$2.23 per square foot, which is below their 2007 peak. Staff also believes that, while there are a number of large developments in the works for central Orange County, the majority of new, large scale professional office projects in the county are proposed within the John Wayne Airport and South Orange County areas as opposed to the North Orange County region. These trends may limit the value of CalOptima's current Development Agreement if the decision is to develop the site as a 10-story commercial building that will, in part, be leased to third parties.

To ensure that a comprehensive review process is completed before a decision is made on the best use of the new tower site, staff is recommending that the Board obtain the expertise of a real estate development consultant to evaluate the potential value of a revised Development Agreement that would allow for other potential uses such as, for example, Urban Mixed-Use zoning, which would include commercial retail and housing uses. While this approach may result in the facility being sold to a third party, it assumes that CalOptima will make other arrangements to meet any increases in need for office space as the current facility is near capacity today. Though it is possible that the commercial vacancy rate in the area may increase in the future, when CalOptima was considering additional space approximately two years ago, very limited space was available within several miles of the 505 building. At this stage, one possible approach the consultant could explore would be to focus on prioritizing the additional parking space now, and either seeking an extension of the remaining rights as further study is completed on the available options, or estimating the cost of seeking a change to the Development Agreement to allow for Mixed Use zoning. Another option would be to sell the rights to a third party who may be interested in exercising the existing development rights, or pursuing a change with the City of Orange.

Fiscal Impact

The FY 2016-17 Board-approved CalOptima Medi-Cal operating budget includes \$37,000 for Real Estate Consultant services. In addition to this amount, once the scope of work for the consultant is developed, staff will return to Board with an estimate of additional costs.

California Welfare and Institutions Code section 14087.54, CalOptima's enabling statute, provides that CalOptima was established to "meet the problems of delivery of publicly assisted medical care in the county... and to demonstrate ways of promoting quality care and cost efficiency." The statute also includes provisions limiting the use of "any payment or reserve from the Medi-Cal program" to administration of the Medi-Cal program itself. Consequently, alternative funding (i.e., from a source other than CalOptima) would be an essential element of any recommendation to use the development rights for some purpose not specifically related to CalOptima's administration obligations under the Medi-Cal program.

Rationale for Recommendation

In order to assist the Board in determining next steps with the existing Development Agreement with the City of Orange, staff recommends engaging a real estate consultant.

Concurrence

Gary Crockett, Chief Counsel

Attachments

1. Board Action dated March 2, 2017, Consider Options for Development Rights at 505 City Parkway West, Orange, California Site
 - a. Amended and Restated Development Agreement dated December 10, 2014
2. Notice of Request for Information #17-031, dated March 20, 2017, Amendment No. 1, for Property and Associated Real Estate Development Rights
3. Response to Request for Information: Property and Associated Real Estate Development Rights, TrammellCrowCompany, dated April 21, 2017
4. California Welfare and Institutions Code section 14087.54

/s/ Michael Schrader
Authorized Signature

11/30/2017
Date

CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken March 2, 2017 **Regular Meeting of the CalOptima Board of Directors**

Report Item

16. Consider Options for Development Rights at 505 City Parkway West, Orange, California Site

Contact

Nancy Huang, Interim Chief Financial Officer, (714) 246-8400

Recommended Action

Authorize the Chief Executive Officer (CEO) to issue a Request for Information (RFI) to solicit responses regarding potential interest and options for CalOptima's development rights with results to be presented to the Board at a future date.

Background

At its January 2011 meeting, the CalOptima Board of Directors authorized the purchase of land and an office building located at 505 City Parkway West, Orange, California, and the assumption of development rights associated with the parcel pursuant to a 2004 Development Agreement with the City of Orange. The development rights include the possible construction of an office tower of up to ten stories and 200,000 square feet of office space, and a parking structure of up to five-levels and 1,528 spaces. The potential second office tower and parking structure are referred to as the "605 Building Site." At the time of CalOptima's purchase of the land and building, the expiration date for the Development Agreement was October 28, 2014.

At its October 2, 2014 meeting, the Board authorized the CEO to enter into an Amended and Restated Development Agreement with the City of Orange to extend CalOptima's development rights for up to six additional years. The extension was approved by the City of Orange Planning Commission on September 15, 2014, and the Orange City Council on November 25, 2014. Assuming CalOptima makes required public benefit fee payments to the City of Orange, the expiration date for the current development agreement is October 28, 2020.

At its August 4, 2016 meeting, the Board authorized a contract with a real estate consultant to assist in evaluating options related to CalOptima's development rights, and approved a budget allocation of \$22,602 from existing reserves to fund the contract through June 30, 2017.

At the December 1, 2016 meeting, the Board authorized a contract amendment with real estate consultant, Newport Real Estate Services (NRES), to include site plan development and expenditures from existing reserves of up to \$7,000 to fund the contract amendment.

Discussion

At its February 16, 2017 meeting, the Board of Directors' Finance and Audit Committee (FAC) received presentations from CalOptima management and real estate consultant, NRES. The presentation included an update on CalOptima's staffing needs and space alternatives, a review of a site plan developed by NRES, options for exercising the development rights with pros and cons of

certain options, and a preliminary timeline. In addition, FAC members discussed the need to gather more information and to gauge potential interest on the following options: Direct Sale, Ground Lease, Joint Venture, and Property Trade.

An additional option is pursuing an extension of the current Development Agreement for an additional 3 years beyond 2020. This option would require approval by the City of Orange, and would likely require CalOptima to make additional public benefit fee payments. In the event the Board elects to pursue this option, and the City of Orange is agreeable to the extension, Staff will return to the Board to present applicable proposals.

Fiscal Impact

The recommended action to issue an RFI for development rights is budget neutral.

Rationale for Recommendation

The Development Agreement with the City of Orange provides CalOptima the opportunity to provide for future space needs in the event CalOptima requires additional office space. At the same time, the development rights are a valuable asset that can be severed from the existing parcel if CalOptima finds that CalOptima's construction of a separate office building and parking structure is not practical, feasible, or otherwise in the best interest of the organization. Management recommends that the Board authorize the CEO to issue an RFI to fully explore potential interest and options available with the existing development rights.

Concurrence

Gary Crockett, Chief Counsel

Attachments

1. CalOptima Board Action dated August 4, 2016, Consider Authorizing Contract with a Real Estate Consultant to Assist in the Evaluation of Options Related to CalOptima's Development Rights and Approve Budget Allocation
2. CalOptima Board Action dated December 1, 2016, Authorize Vendor Contract(s) and/or Contract Amendment(s) for Services Related to CalOptima's Development Rights at the 505 City Parkway Site and Funding to Develop a Site Plan
3. NRES PowerPoint Presentation to the Board of Directors' Finance and Audit Committee dated February 16, 2017: Long-Range Strategic Real Estate Plan – Excess Real Estate Development or Disposition Update

/s/ Michael Schrader
Authorized Signature

2/23/2017
Date

CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken August 4, 2016
Regular Meeting of the CalOptima Board of Directors

Report Item

35. Consider Authorizing Contract with a Real Estate Consultant to Assist in the Evaluation of Options Related to CalOptima's Development Rights and Approve Budget Allocation

Contact

Chet Uma, Chief Financial Officer, (714) 246-8400

Recommended Actions

1. Authorize the Chief Executive Officer (CEO) to enter into a contract with a real estate consultant to assist in providing market research, evaluating development feasibility and financial feasibility, and recommend options based on CalOptima's development rights in accordance with the Board-approved procurement process; and
2. Approve allocation of \$22,602 from existing reserves to fund the contract with the selected real estate consultant through June 30, 2017.

Background

In January 2011, CalOptima purchased land and an office building located at 505 City Parkway West, Orange, California, and assumed development rights for the land parcel pursuant to a 2004 Development Agreement with the City of Orange. The development rights include the possible construction of an office tower up to ten stories and 200,000 square feet of office uses, and a maximum five-level, 1,528 space parking structure which was previously approved in 2001. The second office tower and parking structure are referred to as the 605 Building Site. The expiration date for the initial 10 year Development Agreement was October 28, 2014.

At the October 2, 2014, meeting, the CalOptima Board of Directors (Board) authorized the CEO, with the assistance of legal counsel, to enter into an Amended and Restated development agreement with the City of Orange to extend CalOptima's development rights for up to six years. The extension was approved by the City of Orange Planning Commission on September 15, 2014, and the Orange City Council on November 25, 2014. The Amended and Restated Development Agreement requires CalOptima to make public benefit fee payments to the City of Orange in order to extend the termination date by two year increments. The Board approved funding of \$200,000 from existing reserves to make the public benefit fee payments. The following table provides additional information on the public benefit fees.

Payment Amount	Due Date	Agreement Extension Period
First Payment: \$50,000	Within forty-five (45) days of mutual execution of the Agreement	Agreement remains in effect for a period of two (2) years from the original termination date
Second Payment: \$50,000	No later than fifteen (15) days prior to the expiration of the Initial Term	Extends Agreement for an additional two (2) years from the expiration of the Initial Term

Payment Amount	Due Date	Agreement Extension Period
Final Payment: \$100,000	No later than fifteen (15) days prior to the expiration of the First Automatic Renewal Term	Extends Agreement for an additional two (2) years from the expiration of the First Automatic Renewal Term

Assuming all payments are made on time, the end date for the Amended and Restated Development Agreement is October 28, 2020.

Discussion

CalOptima's Development Agreement represents a significant value to CalOptima. In order to understand the best strategic use of these rights, CalOptima requires assistance of a real estate consultant who has expertise and specializes in the area of development rights. The real estate consultant will perform market research, explore options for the development rights, evaluate development feasibility and financial feasibility, and provide recommendations to CalOptima. The proposed evaluation will take into consideration options of new leased space for CalOptima, costs, compliance with internal policies and procedures, requirements of Public Works projects, and possible public-private partnerships.

In light of forthcoming development projects around the 505 City Parkway West building and the number of years remaining under the current Development Agreement, Management believes it is prudent to obtain reliable information expeditiously in order to make a well-informed decision. The CalOptima Fiscal Year (FY) 2016-17 Operating Budget included \$7,398 under Professional Fees for a real estate consultant. Management proposes to make an allocation of \$22,602 from existing reserves to fund the remaining expenses related to the contract with the real estate consultant through June 30, 2017.

Fiscal Impact

The recommended action to authorize the CEO to contract with a real estate consultant to assist in evaluation of options related to CalOptima's development rights will not exceed \$30,000 through June 30, 2017. An allocation of \$22,602 from existing reserves will fund this action.

Rationale for Recommendation

The retention of a real estate consultant to evaluate options related to CalOptima's development rights will provide reliable information to the Board and Management to make informed decisions on long term space planning.

Concurrence

Gary Crockett, Chief Counsel

CalOptima Board Action Agenda Referral
Consider Authorizing Contract with a Real Estate Consultant to
Assist in the Evaluation of Options Related to CalOptima's
Development Rights and Approve Budget Allocation
Page 3

Attachment

Amended and Restated Development Agreement between the City of Orange and Orange County
Health Authority dated December 10, 2014

/s/ Michael Schrader
Authorized Signature

07/29/2016
Date

Ag. 4545.0C

EXEMPT FROM RECORDER'S FEES
Pursuant to Government Code §§ 6103 and 27383

Recording requested by and when recorded return to:

City Clerk
City of Orange
300 East Chapman Avenue
Orange, California 92866

Recorded in Official Records, Orange County
Hugh Nguyen, Clerk-Recorder



NO FEE

2014000535189 9:23 am 12/11/14

93 413 A17 35

0.00 0.00 0.00 0.00 102.00 0.00 0.00 0.00

(SPACE ABOVE FOR RECORDER'S USE)

CONFORMED COPY

**AMENDED AND RESTATED
DEVELOPMENT AGREEMENT**

Dated as of *Dec. 10*, 2014

By and Between

**City of Orange,
a municipal corporation**

and

**Orange County Health Authority,
a public agency doing business as CalOptima**

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Exhibits

Exhibit "A"	Legal Description of the 605 Building Site
Exhibit "B"	Resolution No. 9843
Exhibit "C"	Legal Description of the City Tower Two Site
Exhibit "D"	Public Benefit Fees

Ag. 4545.0C

EXEMPT FROM RECORDER'S FEES
Pursuant to Government Code §§ 6103 and 27383

Recording requested by and when recorded return to:

City Clerk
City of Orange
300 East Chapman Avenue
Orange, California 92866

(SPACE ABOVE FOR RECORDER'S USE)

AMENDED AND RESTATED DEVELOPMENT AGREEMENT

This Amended and Restated Development Agreement (the "**Agreement**") is made in Orange County, California as of Dec. 10, 2014, by and between the CITY OF ORANGE, a municipal corporation (the "**City**") and ORANGE COUNTY HEALTH AUTHORITY, a public agency doing business as CalOptima ("**Developer**"). Together, the City and the Developer shall be referred to as the "**Parties**".

1. **Recitals.** This Agreement is made with respect to the following facts and for the following purposes, each of which is acknowledged as true and correct by the Parties:

(a) The City is authorized, pursuant to Government Code §§65864 through 65869.5 (the "**Development Agreement Statutes**") and Chapter 17.44 (Development Agreements) of the Orange Municipal Code to enter into binding agreements with persons or entities having legal or equitable interests in real property for the development of such property in order to establish certainty in the development process.

(b) Developer is the owner of certain real property located in the City and consisting of the parcel commonly referred to the "**605 Building Site**" (legally described on **Exhibit "A"**).

(c) References in this Agreement to the "**Project**" shall mean the 605 Building Site hereinabove described and the development project proposed for such property.

(d) Developer seeks to enhance the vitality of the City by developing additional office and commercial related uses.

(e) Pursuant to Government Code §65867.5 and Orange Municipal Code Section 17.44.100, the City Council finds that: (i) this Agreement and any Future Approvals of the Project implement the goals and policies of the City's General Plan, provide balanced and diversified land uses and impose appropriate standards and requirements with respect to land development and usage in order to maintain the overall quality of life and the environment within the City; (ii) this Agreement is in the best interests of and not in detriment to the public health, safety and general welfare of the residents of the City and the surrounding region; (iii) this

Agreement is compatible with the uses authorized in the zoning district and planning area in which the Project site is located; (iv) adopting this Agreement is consistent with the City's General Plan and constitutes a present exercise of the City's police power; and (v) this Agreement is being entered into pursuant to and in compliance with the requirements of Government Code §65867.

(f) Substantial public benefits (as required by Section 17.44.200 of the Orange Municipal Code) will be provided by Developer and the Project to the entire community. These substantial public benefits include, but are not limited to, the following:

(1) By and through its existence, the Project is and, at the completion of the Project, will continue to be, an enormous benefit and resource to the community;

(2) The Project will provide an expanded economic base for the City by generating substantial property tax revenue;

(3) The Project will provide temporary construction employment and permanent office-based jobs for a substantial number of workers;

(4) The Project, consisting of the 605 Building Site, will contribute traffic impact mitigation fees to the City pursuant to the West Orange Circulation Study ("WOCS Study"), which will partially fund the completion of traffic and circulation infrastructure in the WOCS Study area that will be needed to accommodate demand from future growth; and

(5) The Project will provide for additional sales/use taxes to the City, as provided in Section 7 hereof.

In exchange for these substantial public benefits, City intends to give Developer assurance that Developer can proceed with the development of the Project for the term and pursuant to the terms and the conditions of this Agreement and in accordance with the Applicable Rules (as hereinafter defined).

(g) The Developer has applied for and the City has approved this Agreement in order to create a beneficial project and a physical environment that will conform to and compliment the goals of the City, create a development project sensitive to human needs and values, facilitate efficient traffic circulation, and develop the Project.

(h) This Agreement will bind the City to the terms and obligations specified in this Agreement and will limit, to the degree specified in this Agreement and under the laws of the State of California, the future exercise of the City's ability to delay, postpone, preclude or regulate development on the Project, except as provided for herein.

(i) In accordance with the Development Agreement Statutes, this Agreement eliminates uncertainty in the planning process and provides for the orderly improvement of the Project. Further, this Agreement provides for appropriate further development of the Project over and above the improvements which currently exist on the Project and generally serves the public interest within the City and the surrounding region.

(j) CA-THE CITY LIMITED PARTNERSHIP (the “**Original Developer**”) first filed land use applications in 2001 to entitle four (4) separate development sites which together were to consist of one million one hundred fifty-seven thousand (1,157,000) square feet of office space and a one hundred thirty-seven (137) room hotel (collectively, the “**EOP Projects**”). Those land use applications included applications for a Conditional Use Permit(s) and Major Site Plan Review(s). In addition, the Original Developer filed for negotiations and approval of that certain Development Agreement, dated as of December 13, 2004, by and between the City of Orange and the Original Developer (the “**Original Development Agreement**”). The City processed the various applications and commissioned the preparation of the Final Environmental Impact Report (FEIR) 1612-01 for the Original Development Agreement and the 2001 land use applications (the “**Final EIR**”), which was certified in accordance with the California Environmental Quality Act (“**CEQA**”). On October 9, 2001, the City certified the Final EIR and approved the various applications for the entitlements for the EOP Projects including Resolution No. 9521 with respect to the 605 Building Site.

(1) The Final EIR evaluated the EOP Projects, all of which were located in the area within or adjacent to the former “**The Block at Orange**” which has been rebranded to “**The Outlets at Orange**.” A trip generation survey was conducted and the Final EIR determined that the EOP Projects, upon completion, would generate a total of thirteen thousand eight hundred seventy-six (13,876) average daily trips. The Final EIR designated separate average daily trip generation estimates for each of the EOP Projects based upon the estimated development square footage of each of the EOP Projects.

(2) As part of its approval of the EOP Projects, the City imposed various traffic mitigation conditions, including:

(A) a “fair share” allocation of the cost of certain traffic improvements identified in the WOCS Study (the “**WOCS Improvements**”);

(B) the obligation to pay one hundred percent (100%) of the cost of specific traffic improvements at three (3) designated intersections; and

(C) a “fair share” of the cost of widening the Orangewood Avenue bridge over the Santa Ana River.

The traffic improvements described in (B) and (C) are herein referred as the “**Traffic Improvement Conditions**”.

(3) The WOCS Study estimated the cost of the WOCS Improvements to be approximately Three Million Five Hundred Thousand Dollars (\$3,500,000.00) and assigned “fair share” costs for such improvements to the following projects:

(A) UCI Medical Center Expansion – thirty-two percent (32%);

(B) EOP Projects – thirty-eight percent (38%); and

(C) The Outlets at Orange Expansion – thirty percent (30%).

(4) On March 9, 2004, the City adopted Resolution No. 9843 in which the City determined that the "fair share" of the EOP Projects for the WOCS Improvements and the Traffic Improvement Conditions would be as set forth in Exhibit "A" to Resolution No. 9843. A copy of Resolution No. 9843 is attached hereto as **Exhibit "B"**.

(k) In 2004, in response to the Original Developer's application for the Original Development Agreement, the City felt that it would be helpful to provide the public with information updating and amplifying some of the points raised in the Final EIR as they pertain to the EOP Projects. Accordingly, and as provided in Section 15164 of the State California Environmental Quality Act Guidelines (the "**CEQA Guidelines**"), the City prepared an Addendum to the Final EIR (the "**Addendum**"). On August 16, 2004, the Planning Commission held a duly noticed public hearing on the Original Developer's application for the Original Development Agreement and the Addendum, which were approved by Resolution No. PC 33-04 and recommended to the City Council of the City approval. On September 14, 2004, the City Council held a duly noticed public hearing on the Original Developer's application for the Original Development Agreement and the Addendum, and adopted Resolution No. 9909, making certain findings under CEQA and determined that the Addendum is all that is necessary in connection with the Original Development Agreement and the approval thereof. Thereafter, at its regular meeting of September 14, 2004, the City Council adopted its Ordinance No. 19-04 approving the Original Development Agreement.

(l) In January 2006, the City and the Original Developer amended the Original Development Agreement by entering into that certain First Amendment to Development Agreement dated as of January 20, 2006, the original of which was recorded in the Official Records as Instrument No. 2006000051175 on January 24, 2006 (herein referred as the "**First Amendment**").

(m) In October 2006, the City and the Original Developer further amended the Original Development Agreement by entering into that certain Second Amendment to Development Agreement dated as of October 5, 2006, the original of which was recorded in the Official Records as Instrument No. 2006000698031 on October 17, 2006 (herein referred as the "**Second Amendment**").

(n) In January 2007, the City and the Original Developer entered into that certain Operating Memorandum dated as of January 22, 2007 (hereinafter referred as "**First Operating Memorandum**") as it relates to the amendment to certain covenants, conditions and restrictions governing the expansion of the Block at Orange (the "**Block Expansion**").

(o) In 2007, the Original Developer and Maguire Properties-City Plaza, LLC and Maguire Properties-City Parkway, LLC entered into that certain Assignment and Assumption Agreement dated April 23, 2007, the original of which was recorded in the Official Records as Instrument No. 2007000271600 on April 26, 2007 (herein referred as the "**Maguire Agreement**"). The terms of the Maguire Agreement transferred and assigned the development rights related to City Plaza Two Site and 605 Building Site (as defined in the Original Development Agreement) from the Original Developer to Maguire Properties-City Plaza, LLC and Maguire-City Parkway, LLC, respectively.

(p) In August 2008, Maguire Properties-City Plaza, LLC and HFOP City Plaza, LLC (“**HFOP**”) entered into that certain Partial Assignment and Assumption of Development Agreement dated August 26, 2008, the original of which was recorded in the Official Records as Instrument No. 2008000406579 on August 27, 2008 (herein referred as the “**HFOP Agreement**”). The terms of the HFOP Agreement transferred and assigned development rights related to City Plaza Two Site from Maguire Properties-City Plaza, LLC to HFOP.

(q) In May 2009, Maguire Properties-City Parkway, LLC and AB-City Parkway, LLC entered into that certain Partial Assignment and Assumption of Development Agreement dated May 27, 2009, the original of which was recorded in the Official Records as Instrument No. 2009000268530 on May 28, 2009 (herein referred as the “**AB Agreement**”). The terms of the AB Agreement transferred and assigned development rights related to 605 Building Site from Maguire Properties-City Parkway, LLC to AB-City Parkway, LLC.

(r) In January 2011, Developer and AB-City Parkway, LLC entered into that certain Partial Assignment and Assumption of Development Agreement dated January 7, 2011, the original of which was recorded in the Official Records as Instrument No.2011000013726 on January 7, 2011 (herein referred as the “**CalOptima Agreement**”). The terms of the CalOptima Agreement transferred and assigned development rights related to 605 Building Site from AB-City Parkway, LLC to Developer. The Original Development Agreement, as amended and assigned by the First Amendment, the Second Amendment, the First Operating Memorandum, the Maguire Agreement, the HFOP Agreement, the AB Agreement, and the CalOptima Agreement, is herein referred to as the “**Amended Development Agreement**”.

(s) The Developer represents to the City that, as of the date hereof, it is the owner of the Project, subject to encumbrances, easements, covenants, conditions, restrictions, and other matters of record.

(t) The Parties acknowledge and agree that the term of the Amended Development Agreement expires on October 28, 2014 (the “**Original Termination Date**”). Developer has requested, and the City has agreed, to extend the term of the Amended Development Agreement, subject to the terms hereof.

(u) In order to effectuate the extension of the term of the Amended Development Agreement, the Parties hereby agree to amend and restate in its entirety the Amended Agreement as set forth below.

2. **Definitions.** In this Agreement, unless the context otherwise requires:

(a) “**Applicable Rules**” means the development standards and restrictions set forth in Section 5 of this Agreement which shall govern the use and development of the Project and shall amend and supersede any conflicting or inconsistent provisions of zoning ordinances, regulations or other City requirements relating to development of property within the City.

(b) “**Development Agreement Statutes**” means Government Code §§ 65864 to 65869.5.

(c) **"Discretionary Actions" and "Discretionary Approvals"** are actions which require the exercise of judgment or a discretionary decision, and which contemplate and authorize the imposition of revisions or additional conditions, by the City, including any board, commission, or department of the City and any officer or employee of the City; as opposed to actions which in the process of approving or disapproving a permit or other entitlement merely requires the City, including any board, commission, or department of the City and any officer or employee of the City, to determine whether there has been compliance with applicable statutes, ordinances, regulations, or conditions of approval.

(d) **"Effective Date"** is the date the ordinance approving the Original Development Agreement became effective, which was October 28, 2004.

(e) **"Future Approvals"** means any action in implementation of development of the Project which requires Discretionary Approvals pursuant to the Applicable Rules, including, without limitation, parcel maps, tentative subdivision maps, development plan and site plan reviews, and conditional use permits. Upon approval of any of the Future Approvals, as they may be amended from time to time, they shall become part of the Applicable Rules, and Developer shall have a "vested right", as that term is defined under California law, in and to such Future Approvals by virtue of this Agreement.

(f) Other terms not specifically defined in this Agreement shall have the same meaning as set forth in Chapter 17.44 (Development Agreements) of the Orange Municipal Code, as the same existed on the Effective Date.

3. **Binding Effect.** This Agreement, and all of the terms and conditions of this Agreement shall, to the extent permitted by law, constitute covenants which shall run with the land comprising the Project for the benefit thereof, and the benefits and burdens of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective assigns, heirs, or other successors in interest.

4. **Negation of Agency.** The Parties acknowledge that, in entering into and performing under this Agreement, each is acting as an independent entity and not as an agent of the other in any respect. Nothing contained herein or in any document executed in connection herewith shall be construed as making the City and Developer joint venturers, partners, agents of the other, or employer/employee.

5. **Development Standards for the Project, Applicable Rules.** The development standards and restrictions set forth in this Section shall govern the use and development of the Project and shall constitute the Applicable Rules, except as otherwise provided herein, and shall amend and supersede any conflicting or inconsistent provisions of existing zoning ordinances, regulations or other City requirements relating to development of the Project and any subsequent changes to the Applicable Rules as specifically described in Section 5(c).

(a) The following ordinances and regulations shall be part of the Applicable Rules:

(1) The City's General Plan as it existed on the Effective Date;

(2) The City's Municipal Code relating to Development Agreements which is set forth in Chapter 17.44 of the Orange Municipal Code, as it existed on the Effective Date; and

(3) Such other ordinances, rules, regulations, and official policies governing permitted uses of the Project, density, design, improvement, and construction standards and specifications applicable to the development of the Project in force on the Effective Date, except as they may be in conflict with the provision of Subsection (a)(4) of this Section.

(4) The terms, provisions and conditions of the following with respect to each Project as hereinafter described:

(A) Conditional Use Permit No. 2379-01 and Major Site Plan Review No. 107-99 for the 605 Building Site; and

(B) The "fair share" of the Project for the WOCS Improvements and the Traffic Improvement Conditions as set forth in Resolution No. 9843.

(b) The City acknowledges that the Original Developer sold one (1) of the EOP Projects legally described on Exhibit "C" attached hereto and commonly referred to as the "**City Tower Two Site**" to a third party and, the City granted approvals to allow such third party to develop a residential project on the City Tower Two Site. The City further acknowledges that the average daily trips which would be generated by the proposed residential project may be substantially less than the average daily trips that would have been generated by the original project for the City Tower Two Site as identified in the Final EIR. The City hereby agrees and acknowledges that the traffic impacts identified in the Final EIR were studied on an area-wide basis and that the Final EIR adequately studied and determined the traffic impacts and relevant mitigation measures required for such traffic impacts. Accordingly, the City hereby agrees that the difference between the average daily trips allocated to the original City Tower Two Site and the average daily trips which are determined to be generated by the residential project (or other project) located on the City Tower Two Site and approved by the City (the "**Unused Trips**") may be "transferred" to the Project during the term of this Agreement (it being the intention of the Parties that the Unused Trips shall be reserved for the benefit of Developer and the Project and, without the prior written consent of Developer, such Unused Trips shall not be applied to or reserved for the benefit of any other project that is subject to approval by the City).

(c) The Project shall not be required to pay any portion of the "fair share" of the WOCS Improvements and/or Traffic Improvement Conditions payable by or as a result of any project approved by the City on the City Tower Two Site.

(d) The "fair share" of the Project shall not be increased as a result of the failure by the City to recover (for whatever reason) the "fair share" contributions of the UCI Medical Center Expansion and/or The Block at Orange Expansion, nor shall the cost of the WOCS Improvements and the Traffic Improvement Conditions be deemed to be increased as a result of such failure.

(e) Notwithstanding the provisions of this Agreement, the City reserves the right to apply certain other laws, ordinances and regulations under the certain limited circumstances described below:

(1) This Agreement shall not prevent the City from applying new ordinances, rules, regulations and policies relating to uniform codes adopted by City or by the State of California, such as the Uniform Building Code, National Electrical Code, Uniform Mechanical Code or Uniform Fire Code, as amended, and the application of such uniform codes to the Project at the time of application for issuance of building permits for structures on the Project including such amendments to uniform codes as the City may adopt from time to time.

(2) In the event that State or Federal laws or regulations prevent or preclude compliance with one or more of the provisions of this Agreement, such provisions of this Agreement shall be modified or suspended as may be necessary to comply with such State or Federal laws or regulations; provided, however, that this Agreement shall remain in full force and effect to the extent it is not inconsistent with such laws or regulations and to the extent such laws or regulations do not render such remaining provisions impractical to enforce. Notwithstanding the foregoing, City shall not adopt or undertake any regulation, program or action or fail to take any action which is inconsistent or in conflict with this Agreement until, following meetings and discussions with the Developer, the City Council makes a finding, at or following a noticed public hearing, that such regulation, program actions or inaction is required (as opposed to permitted) to comply with such State and Federal laws or regulations after taking into consideration all reasonable alternatives.

(3) Notwithstanding anything to the contrary in this Agreement, City shall have the right to apply City ordinances and regulations (including amendments to Applicable Rules) adopted by the City after the Effective Date, in connection with any Future Approvals, or deny, or impose conditions of approval on, any Future Approvals in City's sole discretion if such application is required to prevent a condition dangerous to the physical health or safety of existing or future occupants of the Project, or any portion thereof or any lands adjacent thereto.

6. **Right to Develop.** Subject to the terms of this Agreement, and as of the Effective Date, Developer shall have a vested right to develop the Project in accordance with the Applicable Rules.

7. **Acknowledgments, Agreements and Assurances on the Part of the Developer.**

(a) **Developer's Faithful Performance.** The Parties acknowledge and agree that Developer's performance in developing the Project and in constructing and installing certain public improvements and complying with the Applicable Rules will fulfill substantial public needs. The City acknowledges and agrees that there is good and valuable consideration to the City resulting from Developer's assurances and faithful performance thereof and otherwise in this Agreement, and that same is in balance with the benefits conferred by the City on the Project. The Parties further acknowledge and agree that the exchanged consideration hereunder is fair, just and reasonable.

(b) **Obligations to be Non-Recourse.** As a material element of this Agreement, and as an inducement to Developer to enter into this Agreement, each of the Parties understands and agrees that the City's remedies for breach of the obligations of Developer under this Agreement shall be limited as described in this Agreement.

(c) **Developer's Commitment Regarding California Sales/Use Taxes.** To the extent permitted by law, Developer will require in its general contractor construction contract that Developer's general contractor and subcontractors exercise their option to obtain a Board of Equalization sales/use tax subpermit for the jobsite at the project site and allocate all eligible use tax payments to the City. Further, to the extent permitted by law, Developer will require in its general contractor construction contract that prior to beginning construction of the project, the general contractor and subcontractors will provide the City with either a copy of the subpermit, or a statement that sales/use tax does not apply to their portion of the job, or a statement that they do not have a resale license which is a precondition to obtaining a subpermit. Further, to the extent permitted by law, Developer will use its best efforts to require in its general contractor construction contract that (1) the general contractor or subcontractor shall provide a written certification that the person(s) responsible for filing the tax return understands the process of reporting the tax to the City and will do so in accordance with the City's conditions of project approval as contained in this Agreement; (2) the general contractor or subcontractor shall, on its quarterly sales/use tax return, identify the sales/use tax applicable to the construction site and use the appropriate Board of Equalization forms and schedules to ensure that the tax is allocated to the City of Orange; (3) in determining the amounts of sales/use tax to be paid, the general contractor or subcontractor shall follow the guidelines set forth in Section 1806 of Sales and Use Tax Regulations; (4) the general contractor or subcontractor shall submit an advance copy of his tax return(s) to the City for inspection and confirmation prior to submittal to the Board of Equalization; and (5) in the event it is later determined that certain eligible sales/use tax amounts were not included on general contractor's or subcontractor's sales/use tax return(s), general contractor and subcontractor agree to amend those returns and file them with the Board of Equalization in a manner that will ensure the City receives such additional sales/use tax as City may be eligible to receive from the project for which that particular contractor and its subcontractors were responsible.

During the term of this Agreement, to the extent permitted by law, Developer shall do one of the following: (1) Developer will review the Direct Payment Permit Process established under State Revenue and Taxation Code Section 7051.3 and, if eligible, acquire and use the permit so that the local share of its sales/use tax payments is allocated to the City; Developer will provide City with either a copy of the direct payment permit or a statement certifying ineligibility to qualify for the permit; Developer will further work with the City to inform all tenants about the Direct Payment Permit Process and encourage their participation, if qualified; or (2) Developer shall make use of its resale license issued by the Board of Equalization to exempt from sales/use taxes Developer's significant equipment purchases relating to the project site from vendors and to direct pay all sales/use tax to the Board of Equalization with the City of Orange as the point of sale for such purchases; in connection with the foregoing, Developer shall provide to the City the vendor names, a description of the equipment to be purchased, the purchase amounts for any out-of-state or out-of-country purchases exceeding \$500,000, and a copy of the applicable quarterly sales/use tax reflecting payment of the sales/use tax so long as the confidentiality thereof is protected in a manner consistent with the restrictions imposed by Revenue and Taxation Code Section 7056.

City agrees to cause City's sales and use tax consultant, which is presently the HdL Companies, to reasonably cooperate with Developer, Developer's general contractor(s) and the general contractors' subcontractors to maximize City's receipt of sales/use tax hereunder.

(d) **Limitation on Parking.** Developer acknowledges and agrees that the total amount of parking to be constructed by Developer in connection with the Project shall not exceed the maximum authorized parking set forth in Conditional Use Permit No. 2379-01.

8. **Acknowledgments, Agreements and Assurances on the Part of the City.** In order to effectuate the provisions of this Agreement, and in consideration for the Developer to obligate itself to carry out the covenants and conditions set forth in the preceding Section of this Agreement, the City hereby agrees and assures Developer that Developer will be permitted to carry out and complete the development of the Project in accordance with the Applicable Rules, subject to the terms and conditions of this Agreement and the Applicable Rules. Therefore, the City hereby agrees and acknowledges that:

(a) **Entitlement to Develop.** The Developer is hereby granted the vested right to develop the Project to the extent and in the manner provided in this Agreement, subject to the Applicable Rules and the **Future Approvals.**

(b) **Conflicting Enactments.** Except as provided in Subsection (e) of Section 5 above, any change in the Applicable Rules, including, without limitation, any change in any applicable general area or specific plan, zoning, subdivision or building regulation, adopted or becoming effective after the Effective Date, including, without limitation, any such change by means of a Future Approval, an ordinance, initiative, resolution, policy, order or moratorium, initiated or instituted for any reason whatsoever and adopted by the Council, the Planning Commission or any other board, commission or department of City, or any officer or employee thereof, or by the electorate, as the case may be, which would, absent this Agreement, otherwise be applicable to the Project and which would conflict in any way with or be more restrictive than the Applicable Rules ("Subsequent Rules"), shall not be applied by City to any part of the Project. Developer may give City written notice of its election to have any Subsequent Rule applied to such portion of the Project as it may own, in which case such Subsequent Rule shall be deemed to be an Applicable Rule insofar as that portion of the Project is concerned.

(c) **Permitted Conditions.** Provided Developer's applications for any Future Approvals are consistent with this Agreement and the Applicable Rules, City shall grant the Future Approvals in accordance with the Applicable Rules and authorize development of the Project for the uses and to the density and regulations as described herein. City shall have the right to impose reasonable conditions in connection with Future Approvals and, in approving tentative subdivision maps, impose dedications for rights of way or easements for public access, utilities, water, sewers, and drainage necessary for the Project or other developments on the Project; provided, however, that such conditions and dedications shall not be inconsistent with the Applicable Rules in effect prior to imposition of the new requirement nor inconsistent with the development of the Project as contemplated by this Agreement; and provided further that such conditions and dedication shall not impose additional infrastructure or public improvement obligations in excess of those identified in this Agreement or normally imposed by the City. In connection with a Future Approval, Developer may protest any conditions, dedications or fees to the City Council or as

otherwise provided by City rules or regulations while continuing to develop the Project; such a protest by Developer shall not delay or stop the issuance of building permits or certificates of occupancy unless otherwise provided in the Applicable Rules.

(d) **Timing of Development.** Because the California Supreme Court held in *Pardee Construction Co. v. City of Camarillo*, 37 Cal.3d 465 (1984) that failure of the parties to provide for the timing of development resulted in a later adopted initiative restricting the timing of development to prevail over the parties' Agreement, it is the intent of Developer and the City to cure that deficiency by acknowledging and providing that Developer shall have the right (without the obligation) to develop the Project in such order and at such rate and at such time as it deems appropriate within the exercise of its subjective business judgment, subject to the terms of this Agreement.

(e) **Moratorium.** No City-imposed moratorium or other limitation (whether relating to the rate, timing or sequencing of the development or construction of all or any part of the Project whether imposed by ordinance, initiative, resolution, policy, order or otherwise, and whether enacted by the Council, an agency of City, the electorate, or otherwise) affecting parcel or subdivision maps (whether tentative, vesting tentative or final), building permits, occupancy certificates or other entitlements to use or service (including, without limitation, water and sewer, should the City ever provide such services) approved, issued or granted within City, or portions of City, shall apply to the Project to the extent such moratorium or other limitation is in conflict with this Agreement and/or the Applicable Rules.

(f) **Permitted Fees and Exactions.** Certain development impact and processing fees have been imposed on the Project as conditions of the Existing Project Approvals (including, by way of example but not limited to, TSIP Fees, park facility fees, library facility fees, policy facility fees and fire facility fees), which impact and processing fees are in existence on the Effective Date ("**Development Project Fees**"). Development Project Fees applicable to the Project, together with any processing fees charged by the City for the City's administrative time and related costs incurred in preparing and considering any application for the Project, shall be assessed in the amount they exist at the time Developer becomes liable to pay such fees, provided that such fees shall not exceed the fees that are charged by the City generally to all other applicants similarly situated, on a non-discriminatory basis for similar approvals, permits, or entitlements granted by City. During the term of this Agreement, the City shall be precluded from applying any development impact fee that does not exist as of the Effective Date, except for an impact fee the City may adopt on a City-wide basis for administrative facility capital improvements. This provision does not authorize City to impose fees on the Project that could not be imposed in the absence of this Agreement. Except as otherwise provided in this Agreement, City shall only charge and impose those fees and exactions, including, without limitation, dedications and any other fees or taxes (including excise, construction or any other taxes) relating to development or the privilege of developing the Project as set forth in the Applicable Rules described in Section 5 of this Agreement; provided, however, that Section 5 shall not apply to the following fees and taxes and shall not be construed to limit the authority of City to:

(1) Impose or levy general or special taxes, including but not limited to, property taxes, sales taxes, parcel taxes, transient occupancy taxes, business taxes, which may be applied to the Project or to businesses occupying the Project; provided, however, that the tax is of

general applicability citywide and does not burden the Project disproportionately to other development within the City; or

(2) Collect such fees or exactions as are imposed and set by governmental entities not controlled by City but which are required to be collected by City.

(g) **Project Mitigation**. The Developer shall undertake and complete the mitigation requirements of the Existing Project Approvals. These requirements shall be satisfied within the time established therefor in the Existing Project Approvals.

9. **Cooperation and Implementation**. The City and Developer agree that they will cooperate with one another to the fullest extent reasonable and feasible to implement this Agreement. Upon satisfactory performance by Developer of all required preliminary conditions of approval, actions and payments, the City will commence and in a timely manner proceed to complete all steps necessary for the implementation of this Agreement and the development of the Project in accordance with the terms of this Agreement. Developer shall, in a timely manner, provide the City with all documents, plans, and other information necessary for the City to carry out its obligations. Additionally:

(a) **Further Assurances: Covenant to Sign Documents**. Each party shall take all actions and do all things, and execute, with acknowledgment or affidavit, if required, any and all documents and writings, including estoppel certificates, that may be necessary or proper to achieve the purposes and objectives of this Agreement.

(b) **Reimbursement and Apportionment**. Nothing in this Agreement precludes City and Developer from entering into any reimbursement agreements for reimbursement to the Developer of the portion (if any) of the cost of any dedications, public facilities and/or infrastructure that City, pursuant to this Agreement, may require as conditions of the Future Approvals agreed to by the Parties, to the extent that they are in excess of those reasonably necessary to mitigate the impacts of the Project or development on the Project.

(c) **Processing**. Upon satisfactory completion by Developer of all required preliminary actions and payments of appropriate processing fees, if any, City shall, subject to all legal requirements, promptly initiate, diligently process, and complete all required steps, and promptly act upon any approvals and permits necessary for the development by Developer in accordance with this Agreement, including, but not limited to, the following:

(1) the processing of applications for and issuing of all discretionary approvals requiring the exercise of judgment and deliberation by City, including without limitation, the Future Approvals;

(2) the holding of any required public hearings; and

(3) the processing of applications for and issuing of all ministerial approvals requiring the determination of conformance with the Applicable Rules, including, without limitation, site plans, grading plans, improvement plans, building plans and specifications, and ministerial issuance of one or more final maps, grading permits, improvement permits, wall permits, building permits, lot line adjustments, encroachment permits, temporary use permits,

certificates of use and occupancy and approvals and entitlements and related matters as necessary for the completion of the development of the Project ("**Ministerial Approvals**").

(d) **Processing During Third Party Litigation.** The filing of any third party lawsuit(s) against City and Developer relating to this Agreement or to other development issues affecting the Project shall not delay or stop the development, processing or construction of the Project, approval of the Future Approvals, or issuance of Ministerial Approvals, unless the third party obtains a court order preventing the activity. City shall not stipulate to or fail to oppose the issuance of any such order.

(e) **Defense of Agreement.** City agrees to and shall timely take all actions which are necessary or required to uphold the validity and enforceability of this Agreement and the Applicable Rules, subject to the indemnification provisions of this Section. Developer shall indemnify, protect and hold harmless, the City and any agency or instrumentality thereof, and/or any of its officers, employees, and agents from any and all claims, actions, or proceedings against the City, or any agency or instrumentality thereof, or any of its officers, employees and agents, to attack, set aside, void, annul, or seek monetary damages resulting from an approval of the City, or any agency or instrumentality thereof, advisory agency, appeal board or legislative body including actions approved by the voters of the City, concerning this Agreement. The City shall promptly notify the Developer of any claim, action, or proceeding brought forth within this time period. The Developer and City shall select joint legal counsel to conduct such defense and which legal counsel shall represent both the City and Developer in the defense of such action. The City in consultation with Developer shall estimate the cost of the defense of the action and Developer shall deposit said amount with the City. City may require additional deposits to cover anticipated costs. City shall refund, without interest, any unused portions of the deposit once the litigation is finally concluded. Should the City fail to either promptly notify or cooperate fully, Developer shall not thereafter be responsible to indemnify, defend, protect, or hold harmless the City, any agency or instrumentality thereof, or any of its officers, employees, or agents. Should the Developer fail to post the required deposit within five (5) working days from notice by City, City may terminate this Agreement pursuant to its terms. If City elects to terminate this Agreement pursuant to this Section, it shall do so by written notice to Developer, whereupon this Agreement shall terminate, expire and have no further force or effect as to the Project. Thereafter, the terminating party's indemnity and defense obligations pursuant to this Agreement shall have no further force or effect as to acts or omissions from and after the effective date of said termination.

10. **Compliance; Termination; Modifications and Amendments.**

(a) **Review of Compliance.** The City's Director of Community Development (or designee) shall review this Development Agreement once each year, on or before each anniversary of the Effective Date ("**Periodic Review**"), in accordance with this Section, and the Applicable Rules and the City's Municipal Code in order to determine whether or not Developer is out-of-compliance with any specific term or provision of this Agreement. At commencement of each Periodic Review, the Director shall notify Developer in writing that the Periodic Review will commence or has commenced.

(b) **Prima Facie Compliance.** Within thirty (30) days after receipt of the Director's notice that the Periodic Review will commence or has commenced (and unless

Developer requests and is granted a waiver by the City), Developer shall demonstrate that it has, during the preceding twelve (12) month period, been in reasonable prima facie compliance with this Agreement. For purposes of this Agreement, the phrase "reasonable prima facie compliance" shall mean that Developer has demonstrated that it has acted in accordance with this Agreement.

(c) **Notice of Non-Compliance, Cure Rights.** If during any Periodic Review, the Director reasonably concludes that (i) Developer has not demonstrated that it is in reasonable prima facie compliance with this Agreement, and (ii) Developer is out of compliance with a specific, substantive term or provision of this Agreement, then the Director may issue and deliver to Developer a written notice of non-compliance ("**Notice of Non-Compliance**") detailing the specific reasons for non-compliance (including references to sections and provisions of this Agreement and Applicable Rules which have allegedly been breached) and a complete statement of all facts demonstrating such non-compliance. Developer shall have thirty (30) calendar days following its receipt of the Notice of Non-compliance in which to cure said failure(s); provided, however, that if any one or more of the item(s) of non-compliance set forth in the Notice of Non-compliance cannot reasonably be cured within said thirty (30) calendar day period, then Developer shall not be in breach of this Agreement if it commences to cure said item(s) within said thirty (30) day period and diligently prosecutes said cure to completion. Upon completion of each Periodic Review, the Director shall submit a report to the City Council if the Director determines that Developer has not satisfactorily demonstrated reasonable prima facie compliance with this Agreement. The Director shall submit a report to the City Council stating what steps have been taken by the Director or what steps the Director recommends that the City subsequently take with reference to the alleged non-compliance. (If the Director determines that the Developer has demonstrated reasonable prima facie compliance with this Agreement, the Director will not be required to submit a report to the City Council.) Non-performance by either party shall be excused when it is delayed unavoidably and beyond the reasonable control of the Parties as a result of any of the events identified in Section 19 of this Agreement.

(d) **Termination of Development Agreement as to Breaching Party.** If Developer fails to timely cure any item(s) of non-compliance set forth in a Notice of Non-compliance, then the City shall have the right, but not the obligation, to initiate proceedings for the purpose of terminating this Agreement. Such proceedings shall be initiated by notice to the Developer, followed by meetings between the Developer and the City for the purpose of good faith negotiations between the Parties to resolve the dispute. If the City determines to terminate this Agreement following a reasonable number of meetings and a reasonable opportunity for the Developer to cure any non-performance, the City shall give Developer written notice of its intent to so terminate this Agreement, specifying the precise grounds for termination and setting a date, time and place for a public hearing on the issue, all in compliance with the Development Agreement Statutes. At the noticed public hearing, Developer and/or its designated representative shall be given an opportunity to make a full and public presentation to the City. If, following the taking of evidence and hearing of testimony at said public hearing, the City finds, based upon a preponderance of evidence, that the Developer has not demonstrated compliance with this Agreement, and that Developer is out of material compliance with a specific, substantive term or provision of this Agreement, then the City may (unless the Parties otherwise agree in writing) terminate this Agreement.

(e) **Notice and Opportunity to Cure if City Breaches.** If at any time Developer reasonably concludes that (1) City has not acted in prima facie compliance with this Agreement, and (ii) City is out of compliance with a specific, substantive term or provision of this Agreement, then Developer may issue and deliver to City written notice of City's non-compliance, detailing the specific reasons for non-compliance (including references to sections and provisions of this Agreement which have allegedly been breached) and a complete statement of all facts demonstrating such non-compliance. Developer shall also meet with the City as appropriate to discuss any alleged non-compliance on the part of the City. City shall have thirty (30) calendar days following its receipt of the Notice of Non-compliance in which to cure said failure(s); provided, however, that if any one or more of the item(s) of non-compliance set forth in the Notice of Non-compliance cannot reasonably be cured within said thirty (30) calendar day period, then City shall not be in breach of this Agreement if it commences to cure said item(s) within said thirty (30) day period and diligently prosecutes said cure to completion.

(f) **Modification or Amendment, of Development Agreement.** Subject to the notice and hearing requirements of the applicable Development Agreement Statutes, this Agreement may be modified or amended from time to time only with the written consent of Developer and the City or their successors and assigns in accordance with the provisions of the Municipal Code and Government Code §65868.

(g) **No Cross-Default.** Notwithstanding anything set forth in this Agreement to the contrary, in no event shall the breach of or default under this Agreement by Developer with respect to the Project constitute a breach of or default under this Agreement or any other agreement with respect to any other development project. In other words, the Project identified in this Agreement shall stand alone for purposes of its compliance with the terms, provisions and requirements of this Agreement and any other agreement between the City and Developer.

11. **Operating Memoranda.** The provisions of this Agreement require a close degree of cooperation between City and Developer. The anticipated refinements to the Project and other development activity at the Project may demonstrate that clarifications to this Agreement and the Applicable Rules are appropriate with respect to the details of performance of City and Developer. If and when, from time to time during the term of this Agreement, City and Developer agree that such clarifications are necessary or appropriate, they shall effectuate such clarifications through operating memoranda approved in writing by the City and Developer which, after execution, shall be attached hereto and become a part of this Agreement, and the same may be further clarified from time to time as necessary with future written approval by City and Developer. Operating memoranda are not intended to constitute an amendment to this Agreement but mere ministerial clarifications; therefore, no public notice or hearing shall be required. The City Attorney shall be authorized, upon consultation with and approval of Developer, to determine whether a requested clarification may be effectuated pursuant to this Section or whether the requested clarification is of such a character to constitute an amendment hereof which requires compliance with the provisions of Section 10(f) above. The authority to enter into such operating memoranda is hereby delegated to the City Manager and the City Manager is hereby authorized to execute any operating memoranda hereunder without further action by the City Council.

12. **Term of Agreement.** This Agreement shall become operative and shall commence upon the date the ordinance approving this Agreement becomes effective. Subject to payment by

Developer of the “**Public Benefit Fees**” that are applicable in the amounts and at the times identified on **Exhibit "D"** attached hereto, this Agreement shall remain in effect for a period of up to six (6) years from the Original Termination Date unless this Agreement is terminated, modified or extended upon mutual written consent of the Parties hereto or as otherwise provided in this Agreement. Unless otherwise agreed to by the City and Developer, Developer’s failure to pay any portion of the Public Benefit Fees within the time period set forth on **Exhibit “D”** shall be deemed Developer’s election not to extend the term of this Agreement. In no event shall the Public Benefit Fees be supplemented, raised or increased above the amounts identified on **Exhibit "D"**.

(a) **First Payment of Public Benefit Fees.** Within forty-five (45) days of mutual execution of this Agreement by the Developer and the City, Developer shall pay to the City the First Public Benefit Fee (as defined on **Exhibit “D”**). Upon payment by Developer to the City of the First Public Benefit Fee, this Agreement shall remain in effect for a period of two (2) years from the Original Termination Date (such two (2) year period being the “**Initial Term**”).

(b) **Second Payment of Public Benefit Fees.** If Developer elects, in its sole and absolute discretion, to extend this Agreement beyond the Initial Term, then Developer shall pay to the City the Second Public Benefit Fee (as defined on **Exhibit “D”**) no later than the time set forth on **Exhibit “D”**. Upon payment by Developer to the City of the Second Public Benefit Fee, this Agreement shall be automatically extended for an additional two (2) years from the expiration of the Initial Term (such two (2) year period being the “**First Automatic Renewal Term**”).

(c) **Final Payment of Public Benefit Fees.** If Developer elects, in its sole and absolute discretion, to further extend this Agreement beyond the First Automatic Renewal Term, then Developer shall pay to the City the Third Public Benefit Fee (as defined on **Exhibit “D”**) no later than the time set forth on **Exhibit “D”**. Upon payment by Developer to the City of the Third Public Benefit Fee, this Agreement shall be automatically extended for an additional two (2) years from the expiration of the First Automatic Renewal Term.

(d) Following expiration or termination of the term hereof, this Agreement shall be deemed terminated and of no further force and effect; provided, however, that no such expiration or termination shall automatically affect any right of the City and Developer arising from City approvals on the Project prior to expiration or termination of the term hereof or arising from the duties of the Parties as prescribed in this Agreement.

13. **Administration of Agreement and Resolution of Disputes.**

(a) **Administration of Disputes.** All disputes involving the enforcement, interpretation or administration of this Agreement (including, but not limited to, decisions by the City staff concerning this Agreement and any of the projects or other matters concerning this Agreement which are the subject hereof) shall first be subject to good faith negotiations between the Parties to resolve the dispute. In the event the dispute is not resolved by negotiations, the dispute shall then be heard and decided by the City Council. Thereafter, any decision of the City Council which remains in dispute shall be appealed to, heard by, and resolved pursuant to the Mandatory Alternative Dispute Resolution procedures set forth in Section 13(b) hereinbelow.

Unless the dispute is resolved sooner, City shall use diligent efforts to complete the foregoing City Council review within thirty (30) days following receipt of a written notice of default or dispute notice. Nothing in this Agreement shall prevent or delay Developer or City from seeking a temporary or preliminary injunction in state or federal court if it believes that injunctive relief is necessary on a more immediate basis.

(b) **Mandatory Alternative Dispute Resolution.** After the provisions of Section 13(a) above have been complied with, and pursuant to Code of Civil Procedure §638, *et seq.*, all disputes regarding the enforcement, interpretation or administration of this Agreement (including, but not limited to, appeals from decisions of the City Council, all matters involving Code of Civil Procedure §1094.5, all Ministerial Approvals, Discretionary Approvals, Future Approvals and the application of Applicable Rules) shall be heard and resolved pursuant to the alternative dispute resolution procedure set forth in this Section 13(b). All matters to be heard and resolved pursuant to this Section 13(b) shall be heard and resolved by a single appointed referee who shall be a retired judge from either the California Superior Court, the California Court of Appeals, the California Supreme Court, the United States District Court or the United States Court of Appeals, provided that the appointed referee shall have significant and recent experience in resolving land use and real property disputes. The Parties to this Agreement who are involved in the dispute shall agree and appoint a single referee who shall then try all issues, whether of fact or law, and report in writing to the Parties to such dispute all findings of fact and issues and decisions of law and the final judgments made thereon, in sufficient detail to inform each party as to the basis of the referee's decision. The referee shall try all issues as if he/she were a California Superior Court judge, sitting without a jury, and shall (unless otherwise limited by any term or provision of this Agreement) have all legal and equitable powers granted a California Superior Court judge. Prior to the hearing, the Parties shall have full discovery rights as provided by the California Code of Civil Procedure. At the hearing, the Parties shall have the right to present evidence, examine and cross-examine lay and expert witnesses, submit briefs and have arguments of counsel heard, all in accordance with a briefing and hearing schedule reasonably established by the referee. The referee shall be required to follow and adhere to all laws, rules and regulations of the State of California in the hearing of testimony, admission of evidence, conduct of discovery, issuance of a judgment and fashioning of remedy, subject to such restriction on remedies as set forth in this Agreement. If the Parties involved in the dispute are unable to agree on a referee, any party to the dispute may seek to have a single referee appointed by a California Superior Court judge and the hearing shall be held in Orange County pursuant to California Code of Civil Procedure §640. The cost of any proceeding held pursuant to this Section 13(b) shall initially be borne equally by the Parties involved in the dispute, and each party shall bear its own attorneys' fees. Any referee selected pursuant to this Section shall be considered a temporary judge appointed pursuant to Article 6, Section 21 of the Constitution of the State of California. The cost of the referee shall be borne equally by each party. If any party to the dispute fails to timely pay its fees or costs, or fails to cooperate in the administration of the hearing and decision process as determined by the referee, the referee shall, upon the written request of any party to the dispute, be required to issue a written notice of breach to the defaulting party, and if the defaulting party fails to timely respond or cooperate with the period of time set forth in the notice of default (which in any event may not exceed thirty (30) calendar days), then the referee shall, upon the request of any non-defaulting party, render a default judgment against the defaulting party. At the end of the hearing, the referee shall issue a written judgment (which may include an award of reasonable attorneys' fees and costs as provided elsewhere in this Agreement), which judgment shall be final and binding between the

Parties and which may be entered as a final judgment in a California Superior Court. The referee shall use his/her best efforts to finally resolve the dispute and issue a final judgment within sixty (60) calendar days from the date of his/her appointment. Pursuant to Code of Civil Procedure Section 645, the decision of the referee may be excepted to and reviewed in like manner as if made by the Superior Court.

(1) Any party to the dispute may, in addition to any other rights or remedies provided by this Agreement, seek appropriate judicial ancillary remedies from a court of competent jurisdiction to enjoin any threatened or attempted violation hereof, or enforce by specific performance the obligations and rights of the Parties hereto, except as otherwise provided herein.

(2) The Parties hereto agree that (i) the City would not have entered into this Agreement if it were to be held liable for general, special or compensatory damages for any default under or with respect to this Agreement or the application thereof, and (ii) Developer has adequate remedies, other than general, special or compensatory damages, to secure City's compliance with its obligations under this Agreement. Therefore, the undersigned agree that neither the City nor its officers, employees or agents shall be liable for any general, special or compensatory damages to Developer or to any successor or assignee or transferee of Developer for the City's breach or default under or with respect to this Agreement; and Developer covenants not to sue the City, its officers, employees or agents for, or claim against the City, its officers, employees or agents, any right to receive general, special or compensatory damages for the City's default under this Agreement. Notwithstanding the provisions of this Section 13(b)(2), City agrees that Developer shall have the right to seek a refund or return of a deposit made with the City or fee paid to the City in accordance with the provisions of the Applicable Rules.

(c) In the event Developer challenges an ordinance or regulation of the City as being outside of the authority of the City pursuant to this Agreement, Developer shall bear the burden of proof in establishing that such ordinance, rule, regulation, or policy is inconsistent with the terms of this Agreement and applied in violation thereof.

14. **Transfers and Assignments.**

(a) **Right to Assign.** Developer shall have the right to encumber, sell, transfer or assign all or any portion of the Project which it may own to any person or entity (such person or entity, a "Transferee") at any time during the term of this Agreement without approval of the City, provided that Developer provides the City with written notice of the applicable transfer within thirty (30) days of the transfer, along with notice of the name and address of the assignee. Nothing set forth herein shall cause a lease or license of any portion of the Project to be deemed to constitute a transfer of the Project, or any portion thereof. This Agreement may be assigned or transferred by Developer as to and in conjunction with the sale or transfer of all or a portion of the Project, as permitted by this Section 14, provided that the Transferee has agreed in writing to be subject to all of the provisions of this Agreement applicable to the portion of the Project so transferred.

(b) **Liabilities Upon Transfer.** Upon the delegation of all duties and obligations and the sale, transfer or assignment of all or any portion of the Project to a Transferee,

Developer shall be released from its obligations under this Agreement with respect to the Project or portion thereof so transferred arising subsequent to the effective date of such transfer if (1) Developer has provided to City thirty (30) days' prior written notice of such transfer and (2) the Transferee has agreed in writing to be subject to all of the provisions hereof applicable to the portion of the Project so transferred. Upon any transfer of any portion of the Project and the express assumption of Developer's obligations under this Agreement by such Transferee, the Transferee becomes a party to this Agreement, and the City agrees to look solely to the Transferee for compliance by such Transferee with the provisions of this Agreement as such provisions relate to the portion of the Project acquired by such Transferee. Any such Transferee shall be entitled to the benefits of this Agreement and shall be subject to the obligations of this Agreement, applicable to the parcel(s) transferred. A default by any Transferee shall only affect that portion of the Project owned by such Transferee and shall not cancel or diminish in any way Developer's rights hereunder with respect to any portion of the Project not owned by such Transferee. The Transferee shall be responsible for the reporting and annual review requirements relating to the portion of the Project owned by such Transferee, and any amendment to this Agreement between City and a transferee shall only affect the portion of the Project owned by such transferee. In the event that Developer retains its obligations under this Agreement with respect to the portion of the Project transferred by Developer, the Transferee in such a transaction (a "**Non-Assuming Transferee**") shall be deemed to have no obligations under this Agreement, but shall continue to benefit from all rights provided by this Agreement for the duration of the term set forth in Section 12. Nothing in this section shall exempt any Non-Assuming Transferee from payment of applicable fees and assessments or compliance with applicable permit conditions of approval or mitigation measures.

15. **Mortgage Protection**. The Parties hereto agree that this Agreement shall not prevent or limit Developer, at Developer's sole discretion, from encumbering the Project or any portion thereof or any improvement thereon in any manner whatsoever by any mortgage, deed of trust, sale/leaseback, synthetic lease or other security device securing financing with respect to the Project. City acknowledges that the lender(s) providing such financing may require certain Agreement interpretations and modifications and agrees, upon request, from time to time, to meet with Developer and representatives of such lender(s) to negotiate in good faith any such request for interpretation or modification; provided, however, that no such interpretations or modifications shall diminish the public benefits received under this Agreement unless the City agrees to the acceptance of such diminished public benefits. City will not unreasonably withhold its consent to any such requested interpretation or modification, provided such interpretation or modification is consistent with the intent and purposes of this Agreement. Any mortgagee of a mortgage or a beneficiary of a deed of trust or landlord under a sale/leaseback, synthetic lease or lender providing secured financing in any manner ("**Mortgagee**") on the Project shall be entitled to the following rights and privileges:

(a) **Mortgage Not Rendered Invalid**. Neither entering into this Agreement nor a breach of this Agreement shall defeat, render invalid, diminish, or impair the lien of any mortgage, deed of trust or other financing documents on the Project made in good faith and for value.

(b) **Request for Notice to Mortgagee**. The Mortgagee of any mortgage, deed of trust or other financing documents encumbering the Project, or any part thereof, who has submitted a request in writing to City in the manner specified herein for giving notices shall be

entitled to receive written notification from City of any default by Developer in the performance of Developer's obligations under this Agreement.

(c) **Mortgagee's Time to Cure.** If City timely receives a request from a Mortgagee requesting a copy of any notice of default given to Developer under the terms of this Agreement, City shall provide a copy of that notice to the Mortgagee within ten (10) days of sending the notice of default to Developer. The Mortgagee shall have the right, but not the obligation, to cure the default during the remaining cure period allowed Developer under this Agreement, as well as any reasonable additional time necessary to cure, including reasonable time for reacquisition of the Project or the applicable portion thereof.

(d) **Project Taken Subject to Obligations.** Any Mortgagee who comes into possession of the Project or any portion thereof, pursuant to foreclosure of the mortgage, deed of trust, or other financing documents, or deed in lieu of foreclosure, shall take the Project or portion thereof subject to the terms of this Agreement; provided, however, that in no event shall such Mortgagee be held liable for any default or monetary obligation of Developer arising prior to acquisition of title to the Project by such Mortgagee, except that no such Mortgagee (nor its successors or assigns) shall be entitled to a building permit or occupancy certificate until all delinquent and current fees and other monetary obligations due under this Agreement for the Project or portion thereof acquired by such Mortgagee have been paid to City.

16. **Notices.** All notices under this Agreement shall be in writing and shall be deemed delivered when personally received by the addressee, or within three (3) calendar days after deposit in the United States mail by registered or certified mail, postage prepaid, return receipt requested, to the following Parties and their counsel at the addresses indicated below; provided, however, if any party to this Agreement delivers a notice or causes a notice to be delivered to any other party to this Agreement, a duplicate of that Notice shall be concurrently delivered to each other party and their respective counsel.

If to City:

City of Orange
300 East Chapman Avenue
Orange, CA 92866
Attention: City Manager
Facsimile: (714) 744-5147

With a copy to:

Wayne Winthers, Esq.
City Attorney
City of Orange
300 East Chapman Avenue
Orange, California 92866
Facsimile: (714) 538-7157

If to Developer:

ORANGE COUNTY HEALTH AUTHORITY, a public
agency doing business as CalOptima
505 City Parkway West
Orange, California 92868
Attention: Mr. Mike Ruane

Facsimile: (714) 571-2416

Notice given in any other manner shall be effective when received by the addressee. The addresses for notices may be changed by notice given in accordance with this provision.

17. **Severability and Termination.** If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid or unenforceable, or if any provision of this Agreement is superseded or rendered unenforceable according to any law which becomes effective after the Effective Date, the remainder of this Agreement shall be effective to the extent the remaining provisions are not rendered impractical to perform, taking into consideration the purposes of this Agreement.

18. **Time of Essence.** Time is of the essence for each provision of this Agreement of which time is an element.

19. **Force Majeure.** Changed conditions, changes in local, state or federal laws or regulations, floods, earthquakes, delays due to strikes or other labor problems, moratoria enacted by City or by any other governmental entity or agency (subject to Sections 5 and 8 of this Agreement), third-party litigation, injunctions issued by any court of competent jurisdiction, initiatives or referenda, the inability to obtain materials, civil commotion, fire, acts of God, or other circumstances which substantially interfere with the development or construction of the Project, or which substantially interfere with the ability of any of the Parties to perform its obligations under this Agreement, shall collectively be referred to as "**Events of Force Majeure**". If any party to this Agreement is prevented from performing its obligation under this Agreement by any Event of Force Majeure, then, on the condition that the party claiming the benefit of any Event of Force Majeure, (a) did not cause any such Event of Force Majeure and (b) such Event of Force Majeure was beyond said party's reasonable control, the time for performance by said party of its obligations under this Agreement shall be extended by a number of days equal to the number of days that said Event of Force Majeure continued in effect, or by the number of days it takes to repair or restore the damage caused by any such Event to the condition which existed prior to the occurrence of such Event, whichever is longer. In addition, the termination date of this Agreement as set forth in Section 12 of this Agreement shall be extended by the number of days equal to the number of days that any Events of Force Majeure were in effect.

20. **Sole Obligation of Health Authority.** As required by County of Orange Ordinance No. 3896 and amendments thereto, any obligation of the Orange County Health Authority created by this Development Agreement shall not be an obligation of the County of Orange.

21. **Waiver.** No waiver of any provision of this Agreement shall be effective unless in writing and signed by a duly authorized representative of the party against whom enforcement of a waiver is sought.

22. **No Third Party Beneficiaries.** This Agreement is made and entered into for the sole protection and benefit of the Developer and the City and their successors and assigns. Notwithstanding anything contained in this Agreement to the contrary, no other person shall have any right of action based upon any provision of this Agreement.

23. **Attorneys' Fees.** In the event any dispute hereunder is resolved pursuant to the terms of Section 13 (b) hereof, or if any party commences any action for the interpretation, enforcement, termination, cancellation or rescission of this Agreement, or for specific performance for the breach hereof, the prevailing party shall be entitled to its reasonable attorneys' fees, litigation expenses and costs arising from the action. Attorneys' fees under this Section shall include attorneys' fees on any appeal as well as any attorneys' fees incurred in any post judgment proceedings to collect or enforce the judgment.

24. **Incorporation of Exhibits.** The following exhibits which are part of this Agreement are attached hereto and each of which is incorporated herein by this reference as though set forth in full:

- (a) Exhibit "A" — Legal Description of the 605 Building Site;
- (b) Exhibit "B" — Copy of Resolution No. 9843 of the City Council of the City of Orange;
- (c) Exhibit "C" – Legal Description of the City Tower Two Site; and
- (d) Exhibit "D" — Public Benefit Fees.

25. **Copies of Applicable Rules.** Prior to the Effective Date, the City and Original Developer prepared two (2) sets of the Applicable Rules, one each for City and Original Developer, so that if it became necessary in the future to refer to any of the Applicable Rules, there would be a common set available to the Parties. The City agrees to deliver to Developer a copy of the Applicable Rules upon request.

26. **Authority to Execute, Binding Effect.** Developer represents and warrants to the City that it has the power and authority to execute this Agreement and, once executed, this Agreement shall be final, valid, binding and enforceable against Developer in accordance with its terms. The City represents and warrants to Developer that (a) all public notices and public hearings have been held in accordance with law and all required actions for the adoption of this Agreement have been completed in accordance with applicable law; (b) this Agreement, once executed by the City, shall be final, valid, binding and enforceable on the City in accordance with its terms; and (c) this Agreement may not be amended, modified, changed or terminated in the future by the City except in accordance with the terms and conditions set forth herein.

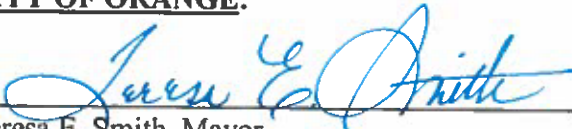
27. **Entire Agreement; Conflicts.** This Agreement represents the entire of the Parties. This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous s between the Parties or their predecessors in interest with respect to all or any part of the subject matter hereof. Should any or all of the provisions of this Agreement be found to be in conflict with any other provision or provisions found in the Applicable Rules, then the provisions of this Agreement shall prevail.

28. **Remedies.** Upon either party's breach hereunder, the non-breaching party shall be permitted to pursue any remedy provided for hereunder.

[SIGNATURES BEGIN ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties have each executed this Agreement on the date first written above.

CITY OF ORANGE:



Teresa E. Smith, Mayor

ATTEST:



Mary E. Murphy, City Clerk

APPROVED AS TO FORM:

By: 

Wayne W. Winthers, City Attorney

DEVELOPER:

ORANGE COUNTY HEALTH AUTHORITY,
a public agency doing business as CalOptima

By: ORANGE COUNTY HEALTH AUTHORITY,
a public agency doing business as CalOptima

M. Schrader
Print Name: Michael Schrader
its Chief Executive Officer

By: ORANGE COUNTY HEALTH AUTHORITY,
a public agency doing business as CalOptima

Print Name: _____
its _____

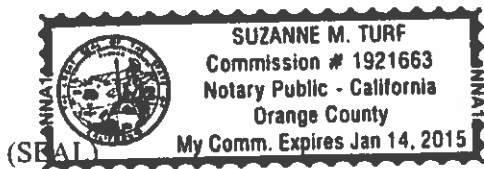
ACKNOWLEDGMENTS

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On Dec. 9, 2014, before me, Suzanne M. Turf, Notary Public, personally appeared Michael Schroeder, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is subscribed to the within instrument and acknowledged to me that ~~he/she/they~~ executed the same in his/her/their authorized capacity(ies), and that by ~~his/her/their~~ signature on the instrument, the person(s), or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



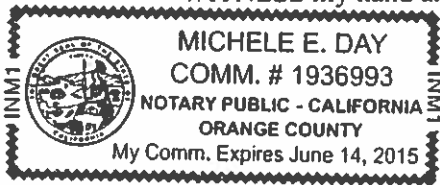
Suzanne M. Turf
Notary Public in and for said State

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On Dec. 10, 2014, before me, Michele E. Day, personally appeared Teresa E. Smith, who proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is subscribed to the within instrument and acknowledged to me that ~~he/she/they~~ executed the same in his/her/their authorized capacity(ies), and that by ~~his/her/their~~ signature on the instrument, the person(s), or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Michele E. Day
Notary Public in and for said State

(SEAL)

EXHIBIT "A"

**LEGAL DESCRIPTION
605 BUILDING TWO**

That certain real property located in the City of Orange, County of Orange, State of California, described as follows:

PARCEL A:

PARCEL 2 OF THE LOT LINE ADJUSTMENT NO. LL94-1, IN THE CITY OF ORANGE, COUNTY OF ORANGE, STATE OF CALIFORNIA, RECORDED APRIL 12, 1996 AS INSTRUMENT NO. 96-180461, OFFICIAL RECORDS.

EXCEPT FROM THAT PORTION THEREOF INCLUDED WITHIN THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF FRACTIONAL SECTION 35, TOWNSHIP 4 SOUTH, RANGE 10 WEST, IN THE RANCHO LAS BOLSAS, IN THE CITY OF ORANGE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 51, PAGE 10 OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, ALL OIL AND OTHER MINERAL RIGHTS IN OR UNDER SAID LAND, LYING BELOW A DEPTH OF 500 FEET FROM THE SURFACE THEREOF, BUT WITHOUT THE RIGHT OF ENTRY, AS RESERVED IN THE DEED FROM CHESTER M. BARNES AND OTHERS, RECORDED OCTOBER 2, 1999 IN BOOK 4911, PAGE 214, OFFICIAL RECORDS.

ALSO EXCEPT THEREFROM ALL SUBSURFACE WATER AND SUBSURFACE WATER RIGHTS IN AND UNDER SAID LAND.

PARCEL B:

A NONEXCLUSIVE EASEMENT FOR UTILITY FACILITIES FOR THE BENEFIT OF PARCEL A, IN, ON, OVER, TO, UNDER, THROUGH, UPON AND ACROSS THE REAL PROPERTY DESCRIBED IN THAT CERTAIN DECLARATION OF UTILITY LINE EASEMENT, DATED JULY 11, 1996, AND RECORDED JULY 11, 1996 AS INSTRUMENT NO. 19960354693 OF OFFICIAL RECORDS, AS SET FORTH IN SAID DECLARATION.

EXHIBIT "B"

COPY OF RESOLUTION NO. 9843

OF THE CITY COUNCIL OF THE CITY OF ORANGE

EXHIBIT "B"

-1-

RESOLUTION NO. 9843

**A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF ORANGE AMENDING
CONDITIONAL USE PERMIT 2378-01, 2379-01
AND 2380-01; MAJOR SITE PLAN REVIEW
NOS. 106-99, 107-99 AND 108-99.**

WHEREAS, on October 10, 2001, the City Council adopted resolutions approving the following conditional use permits, major site plan reviews:

1. The Chapman Site consisting of 132,000 square feet of office space and a 137-room hotel (Resolution No. 9519);
2. City Tower Two Site consisting of 465,000 square feet of office space and eight-level parking structure (Resolution No. 9520);
3. 605 Building Site consisting of 200,000 square feet of office space and a five-level parking structure (Resolution No. 9521);
4. City Plaza Two Site consisting of 136,000 square feet of office building and a six-level parking structure (Resolution No. 9522); and

WHEREAS, the foregoing four projects are hereafter referred to as the EOP Projects; and

WHEREAS, the City Council considered and approved Final Environmental Impact Report No. 1612-01 (hereafter, the FEIR) which analyzed the environmental impacts of the EOP Projects; and

WHEREAS, the City commissioned the West Orange Circulation Study (hereafter, WOC Study) to analyze the traffic impacts of the EOP Projects, expansion of The Block at Orange and expansion of UCI Medical Center; and

WHEREAS, the WOC Study identified approximately \$3.5 million in traffic improvements and assigned fair share costs of such improvements to the following projects: (1) UCI Medical Center expansion, 32%; (2) EOP Projects 38% (identified in the WOC Study as Spieker Office Properties); and (3) The Block at Orange expansion, 30%; and

WHEREAS, as a result of the WOC Study the FEIR, as well as Resolution Nos. 9519-9522 require the EOP Projects as a mitigation measure to pay 38% of the cost of the traffic improvements identified in the WOC Study as its fair share contribution (hereafter WOC Traffic Improvements); and

WHEREAS, Resolutions Nos. 9519-9522 also require the EOP Projects to fully fund three improvements identified in conditions nos. 32, 34 and 35 of such resolutions and pursuant to condition no. 33, to pay a fair share of the cost of a bridge

widening on Orangewood Avenue near its intersection with State Route 57 (hereafter conditions 32-35 are referred to as, Traffic Improvement Conditions); and

WHEREAS, on January 19, 2004, the Planning Commission adopted Resolution No. PC 04-04 approving a new development on the Chapman Site which includes, but is not limited to, 58,260 square feet of commercial space and a fast food restaurant (hereafter, Best Buy Project) which would replace the Chapman Site component (City Council Resolution 9519) of the EOP Projects; and

WHEREAS, CA-The City (Chapman) Limited Partnership is in escrow to sell the Chapman Site to City Town Center, L.P., for development of the Best Buy Project; and

WHEREAS, EOP-The City, L.L.C., has requested that the City proportionally reduce the fair share cost of the WOC Traffic Improvements and Traffic Improvement Conditions to reflect the fact that the Chapman Site is no longer a component of the EOP Projects; and

WHEREAS, City staff has determined that such a reduction is appropriate and will fairly reflect the traffic impacts caused by the EOP Projects, exclusive of the Chapman Site (hereafter, the Remaining EOP Projects).

NOW, THEREFORE, BE IT RESOLVED THAT THE CITY COUNCIL OF THE CITY OF ORANGE FINDS AND DETERMINES as follows:

1. The Remaining EOP Projects shall not bear the costs of the Chapman Site's fair share of the WOC Traffic Improvements, as originally identified in the FEIR and the WOC Study. The fair shares of the EOP Projects for the WOC Traffic Improvements, as identified in the FEIR and WOC Study are reflected in the attached Exhibit A.
2. The Remaining EOP Projects shall not bear the costs of the Chapman Site's fair share of the Traffic Improvement Conditions as identified in the FEIR. The fair shares of the EOP Projects for the Traffic Improvement Conditions, as identified in the FEIR are reflected in the attached Exhibit A.
3. This Resolution shall only become effective upon City Town Center, L.P., becoming the owner of the Chapman Site.

ADOPTED this 9th day of March, 2004.

**ORIGINAL SIGNED BY
MARK A. MURPHY**

Mark A. Murphy, Mayor, City of Orange

ATTEST:

**ORIGINAL SIGNED BY
MARY E. MURPHY**

Mary E. Murphy, City Clerk, City of Orange

I, MARY E. MURPHY, City Clerk of the City of Orange, California, do hereby certify that the foregoing Resolution was duly and regularly adopted by the City Council of the City of Orange at a regular meeting thereof held on the 9th day of March, 2004, by the following vote:

AYES:	COUNCILMEMBERS: Ambriz, Alvarez, Murphy, Coontz
NOES:	COUNCILMEMBERS: None
ABSENT:	COUNCILMEMBERS: Cavccche
ABSTAIN:	COUNCILMEMBERS: None

**ORIGINAL SIGNED BY
MARY E. MURPHY**

Mary E. Murphy, City Clerk, City of Orange

EXHIBIT "A"

	Intersection Identified in the WOC Study ¹	Chapman Site ²	City Tower Two	City Plaza 2 Share	605 Bldg. Share	EOP Total
	1 State College & Katella	0%	1%	1%	0%	2%
	3 SR-57 NB Ramps & Katella	0%	1%	1%	0%	2%
	4 State College & Gene Autry Way	0%	0%	0%	0%	0%
	5 State College & Orangewood	0%	2%	1%	1%	4%
	6 SR-57 SB Ramps & Orangewood	1%	3%	2%	1%	7%
→	10 Haster & Chapman	6%	10%	8%	5%	29%
→	11 Lewis & Chapman	15%	22%	24%	14%	75%
→	13 The City & Chapman	8%	19%	4%	2%	33%
→	14 I-5 SB Ramp on-Ramp & Chapman	5%	16%	2%	1%	
→	19 The City Dr. & The City Way	2%	10%	2%	1%	15%
→	23 Haster & Lampson	4%	7%	14%	8%	33%
→	27 The City Dr. & SR-22 EB Ramps	1%	9%	4%	2%	
→	29 Haster & Garden Grove Blvd.	1%	2%	2%	1%	6%
→	30 Fairview & Garden Grove Blvd.	1%	3%	6%	3%	13%
→	31 Lewis & Garden Grove Blvd.	1%	3%	15%	9%	28%
→	32 The City Dr. & Garden Grove Blvd.	1%	7%	5%	3%	16%
	34 Howell & Katella	2%	0%	0%	0%	2%

Traffic Improvement Conditions ³	Intersection	Chapman Site	City Tower	City Plaza	605	EOP Total
32	The City Drive/Garden Grove	10%	90%			100%
33	SR-57/Orangewood Ave.(Bridge Widening)	14%	47%	25%	14%	100%
34	Haster St/Chapman Ave.	21%	36%	27%	16%	100%
35	Lewis St/Garden Grove Blvd.	5%	13%	52%	30%	100%

→ = ¹ The shaded intersections are identified in the FEIR and WOC Study and are the only intersections requiring traffic improvements and a fair share contribution.

² Referred to as the "North Parcel" in the FEIR tables.

³ Conditions are those referenced in City Council Resolutions 9519-9522.

EXHIBIT "C"

**LEGAL DESCRIPTION
CITY TOWER TWO SITE**

Parcel 2 of Parcel Map No. 81-769 recorded in Book 172, Pages 40-42 of Parcel Maps, in the Office of the County Recorder of Orange County, California.

EXHIBIT "D"

PUBLIC BENEFIT FEES

In the event that Developer elects, in accordance with the terms and upon the conditions set forth in Section "12. Term of Agreement" of this Agreement, to extend the term of this Agreement, then Developer shall pay the following Public Benefit Fees in the amounts and at the times hereinafter described:

1. Within forty-five (45) days of the mutual execution of this Agreement by Developer and the City, Developer shall pay to the City the sum of \$50,000 (such amount being the "**First Public Benefit Fee**").

2. If Developer elects, in its sole and absolute discretion, to extend the term of this Agreement beyond the Initial Term, then Developer shall pay to the City the sum of \$50,000 (such amount being the "**Second Public Benefit Fee**") no later than fifteen (15) days prior to the expiration of the Initial Term.

3. If Developer elects, in its sole and absolute discretion, to extend the term of this Agreement beyond the First Automatic Renewal Term, then Developer shall pay to the City the sum of \$100,000 (such amount being the "**Third Public Benefit Fee**") no later than fifteen (15) days prior to the expiration of the First Automatic Renewal Term.

For the avoidance of doubt, Developer's election to extend the term of this Agreement shall be in Developer's sole and absolute discretion, and the City's sole remedy for Developer's failure to pay any portion of the Public Benefit Fee within the term periods set forth above shall be to terminate this Agreement.

CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken December 1, 2016 **Regular Meeting of the CalOptima Board of Directors**

Report Item

10. Authorize Vendor Contract(s) and/or Contract Amendment(s) for Services Related to CalOptima's Development Rights at the 505 City Parkway Site and Funding to Develop a Site Plan

Contact

Chet Uma, Chief Financial Officer, (714) 246-8400

Recommended Actions

1. Authorize the amendment of CalOptima's contract with real estate consultant Newport Real Estate Services to include site plan development; and
2. Appropriate expenditures from existing reserves of up to \$7,000 to provide funding for this contract amendment.

Background

At its January 2011 meeting, the CalOptima Board of Directors authorized the purchase of land and an office building located at 505 City Parkway West, Orange, California, and the assumption of development rights associated with the parcel pursuant to a 2004 Development Agreement with the City of Orange. The development rights include the possible construction of an office tower of up to ten stories and 200,000 square feet of office space, and a parking structure of up to five-levels and 1,528 spaces. The potential second office tower and parking structure are referred to as the 605 Building Site. At the time of CalOptima's purchase of the land and building, the expiration date for the Development Agreement was October 28, 2014.

At its October 2, 2014 meeting, the CalOptima Board of Directors authorized the CEO to enter into an Amended and Restated development agreement with the City of Orange to extend CalOptima's development rights for up to six years. The extension was approved by the City of Orange Planning Commission on September 15, 2014, and the Orange City Council on November 25, 2014. Assuming CalOptima makes required public benefit fee payments to the City of Orange, the expiration date for the current development agreement is October 28, 2020.

At the August 4, 2016 meeting, the Board authorized a contract with a real estate consultant to assist in evaluating options related to CalOptima's development rights, and approved a budget allocation of \$22,602 from existing reserves to fund the contract through June 30, 2017.

Discussion

Site Plan Development

Pursuant to the Board action on August, 4, 2016, CalOptima contracted with real estate consultant, Newport Real Estate Services, to provide market research, evaluate development feasibility and financial feasibility, and recommend options based on CalOptima's development rights. To move forward in exploring options related to the development rights, the consultant has recommended the

CalOptima Board Action Agenda Referral
Authorize Vendor Contract(s) and/or Contract Amendment(s) for
Services Related to CalOptima's Development Rights at the 505 City
Parkway Site and Funding to Develop a Site Plan
Page 2

development of a site plan to further inform the Board of potential opportunities. The projected cost to develop a site plan is \$7,000.

Update from the Finance and Audit Committee (FAC)

At the November 17, 2016, meeting, the FAC received presentations from Management and real estate consultant, Newport Real Estate Services. Committee members requested Staff return to the FAC with additional information on the development rights at the next FAC meeting on February 16, 2017. Tentatively, Staff anticipates the FAC's recommendation will be put forward for the full Board's consideration at the March 2, 2017, meeting.

Fiscal Impact

The recommended action to fund the contract with a real estate consultant to develop a site plan is an unbudgeted item. An allocation of \$7,000 from existing reserves will fund this action.

Rationale for Recommendation

Management anticipates that CalOptima's space needs will continue to grow in the near term. To accommodate this growth, management recommends that the Board authorize the CEO to fully explore options available with the existing development rights and to ensure that CalOptima's space needs are adequately met in the future.

Concurrence

Gary Crockett, Chief Counsel

Attachment

CalOptima Board Action dated August 4, 2016, Consider Authorizing Contract with a Real Estate Consultant to Assist in the Evaluation of Options Related to CalOptima's Development Rights and Approve Budget Allocation

/s/ Michael Schrader
Authorized Signature

11/22/2016
Date

LONG-RANGE STRATEGIC REAL ESTATE PLAN – EXCESS REAL ESTATE: DEVELOPMENT OR DISPOSITION - UPDATE

- FINANCE AND AUDIT COMMITTEE MEETING
- FEBRUARY 16, 2017
- GLEN ALLEN, PRESIDENT
- NEWPORT REAL ESTATE SERVICES, INC.

Purpose of Presentation

- CalOptima Staffing Needs
- Review Site Plan
- Review Development Rights Options: Pros/Cons
- Review Development Rights Timeline
- CalOptima Development vs. 3rd Party Disposition

Summary of Discussion

Needs Assessment

- Assumptions
- Conclusions

Real Estate Alternatives

- Develop CalOptima Property
- 3rd Party/Disposition Alternatives – With Rights to Occupy

Needs Assessment - Assumptions

- Optimized Telecommuting
- Assumes Projected Programs
 - Cal-MediConnect
 - Medi-Cal
 - OneCare
 - PCC Program
 - ACA Related and Demographic-Trend Member Growth
- Recapture of all 505 Space
- 1 person/181 s.f. space allocation

Current Space Projection

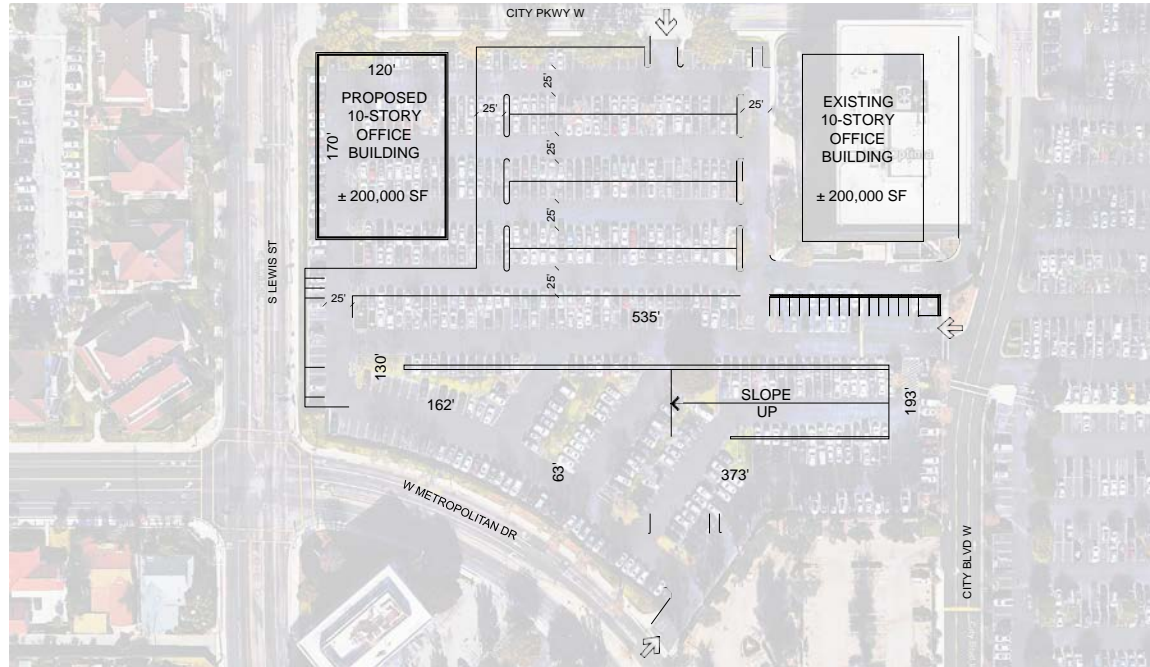
505 Building Available Seats

On Site	749
Filled Seats	46
Sub-Total	795
Teleworker/Community	318
Total	1,114
Total Space Available	1,025
Filled Seats and Temp Help	(795)
Total Vacant Spaces	257
Pending Requests to Fill	(142)
Expected Employee Count for New Programs	(26)
Net Space Surplus (Shortfall)	89
10th Floor Space	85
Total Surplus (Shortfall)	174

Space Alternatives

- Offsite Lease or Purchase
- Extensive Telecommuting
- Multiple Shifts
- Relocate to a Larger Building
- Develop Adjacent CalOptima Property

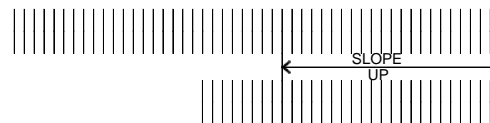
Site Plan



SITE PLAN

PROJECT DATA:

ZONING: UMU - URBAN MIXED USE
 SITE AREA: ± 272,757 SF (±6.361 AC)
 EXISTING BUILDING: 200,000 SF
 PROPOSED BUILDING: 200,000 SF
 TOTAL BUILDING: 400,000 SF
 F.A.R.: 1.46
 PARKING REQUIRED: 2,000 STALLS
 (400,000 SF @ 5/1000)
 PARKING PROVIDED: ±2,032 STALLS
 SURFACE: 192 STALLS
 1ST FLOOR STRUCTURE: 240 STALLS
 2-6TH FLOOR STRUCTURE: 1,450 STALLS
 (290/STORY, TYP.)
 7TH FLOOR: ±150 STALLS



TYPICAL PARKING LEVEL

Development/Disposition Alternatives

RFI (To be Prepared)

- Direct Sale
- Ground Lease
- Joint Venture
- Trade of Nearby Property
(Options to Occupy)

CalOptima Development/Construction

- Design/Bid/Build
- Design/Build
- Balance Sheet/Capital Implications
- Vacant Area Risk Assessment

Extend Development Agreement

- City Approval Required
- Fee Payment Likely Required

Development Alternative Options

		Pros	Cons	Fiscal
Direct Sale:	CalOptima could directly sell the development rights and secure space for CalOptima's use.	<ol style="list-style-type: none"> 1. Large one time capital infusion 2. Reserved right for additional space 3. No development risk 	<ol style="list-style-type: none"> 1. Loss of future control 2. Restricted expansion rights 3. Lease payments required on additional space 	<ol style="list-style-type: none"> 1. Large, one-time capital event 2. No on-going income 3. Lease payments for additional space
Ground Lease:	CalOptima could lease the property to a developer.	<ol style="list-style-type: none"> 1. Long-term income stream 2. Reserved right for additional space 3. No development risk 	<ol style="list-style-type: none"> 1. Loss of future control 2. Restricted expansive rights 3. Lease payments required on additional space 	<ol style="list-style-type: none"> 1. Long-term income stream with periodic adjustments 2. Lease payments for additional space
Direct Development:	CalOptima could assign the development rights to a developer, who would provide space back to CalOptima in return.	<ol style="list-style-type: none"> 1. Property is already owned by CalOptima 2. Current Entitlement already in place 3. Multiple delivery/financing options 4. Total flexibility with building design 5. Future expansion space 6. Inclusion of PACE 7. Incorporation of formal board space 8. Eliminate need for offsite leased space 	<ol style="list-style-type: none"> 1. Time to delivery: 22-30 months 2. Splits staff to 2 buildings 3. Capital requirement 	<ol style="list-style-type: none"> 1. Large capital expenditures for development required 2. No future rent payments 3. No lease payment for additional space 4. Lease income from expansion space tenants
Joint Venture:	CalOptima could develop the property jointly with a developer.	<ol style="list-style-type: none"> 1. Participation in development Upside 2. Reserved right for additional space 3. Reduced development risk 	<ol style="list-style-type: none"> 1. Participation in development Downside 2. Some cash flow and development risks 3. No cash flow during development and lease-up period 4. Consistency with CalOptima core mission 5. Market Risk 	<ol style="list-style-type: none"> 1. Variable on-going income from project cash flow 2. No large capital contribution required
Exchange for Nearby Property:	CalOptima could exchange the development rights for a developed property	<ol style="list-style-type: none"> 1. Ability to obtain pre-built expansion space 2. Likely "built-in" phased space availability 3. On-going cash flow 	<ol style="list-style-type: none"> 1. Market Risk 2. Building operations obligations 3. Value of suitable trade property 	<ol style="list-style-type: none"> 1. No large capital outlay 2. On-going income stream

Conceptual Development Timeline





March 20, 2017

**Amendment No.1
NOTICE OF REQUEST FOR INFORMATION (RFI)**

#17-031

GENERAL CONDITIONS AND INSTRUCTIONS TO RESPONDENTS

For

PROPERTY AND ASSOCIATED REAL ESTATE DEVELOPMENT RIGHTS

Key RFI Dates

Written Questions Due: March 30, 2017, 12:00 p.m. Pacific Time

Proposal Submittal Date: **April 21, 2017**, 12:00 p.m. Pacific Time

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SECTION I: INSTRUCTIONS AND CONDITIONS

1. GENERAL INFORMATION

- 1.1. The purpose of this Request for Information (RFI) is to seek background information from qualified real estate developers regarding their interest in a potential real estate agreement with regard to CalOptima's Real Estate Development rights located at 605 City Parkway West, Orange, CA 92868.
- 1.2. THIS IS A REQUEST FOR INFORMATION (RFI) ONLY. This RFI is issued solely for information and planning purposes to assist CalOptima in finalizing the scope of work and requirements which may be used at a future date in the issuance of a Request for Proposal (RFP). It does not constitute a Request for Proposal (RFP) or a promise to issue an RFP in the future. This request for information does not commit CalOptima to contract for disposition whatsoever. Further, CalOptima is not at this time seeking proposals and will not accept unsolicited proposals. Respondents are advised that CalOptima will not pay for any information or administrative costs incurred in response to this RFI; all costs associated with responding to this RFI will be solely at the interested party's expense. Not responding to this RFI does not preclude participation in any future RFP. If a solicitation is released, it will be released through BidSync. It is the responsibility of the potential Respondent to monitor this site for additional information pertaining to this requirement.

2. POINT OF CONTACT

All communications relating to this RFI must be directed to CalOptima's designated contact below:

Kim Marquez
Senior Buyer
CalOptima Vendor Management Department
Kmarquez2@CalOptima.org

3. QUESTIONS AND CLARIFICATIONS

- 3.1. If a Respondent desires an explanation or clarification of any kind regarding any provision of this RFI, the Respondent must generate a written request for such explanation or clarification through BidSync by March 30, 2017, 12:00 p.m. Pacific time.
- 3.2. Inquiries received after March 30, 2017 12:00 p.m. Pacific time will not be responded to. Inquiries received by email to the contact above will not be responded to. All questions should be directed to CalOptima through BidSync.
- 3.3. CalOptima responses to questions will be communicated via BidSync, and will be sent no later than April 5, 5:00 p.m. Pacific time.

4. RESPONSES

Interested parties are requested to submit their response through BidSync no later than April 21, 2017, 12:00 p.m. Pacific Time. Information submitted outside of BidSync will not be considered.

5. USE OF RESPONDENT'S RESPONSE AND ACCOMPANYING MATERIAL

- 5.1. All materials submitted become the property of CalOptima and will not be returned. If the Respondent intends to submit confidential or proprietary information as part of its response, any limits on the use or distribution of that material should be clearly delineated in writing. However, CalOptima is a public agency and therefore subject to the California Public Records Act (California Government Code, Section 6250 et seq).
- 5.2. CalOptima will use reasonable precautions allowed by law to avoid disclosure of the Respondent response. CalOptima reserves the unrestricted right to copy and disseminate the Respondent's response for internal review and for review by external advisors, at CalOptima's sole discretion.

6. INDUSTRY DISCUSSIONS

CalOptima representatives may or may not choose to meet with Respondents. Such discussions would only be intended to get further clarification of potential capability to meet the requirements.

7. SUMMARY

THIS IS A REQUEST FOR INFORMATION (RFI) ONLY to identify available opportunities in the market as well as resources that can provide information regarding the CalOptima Real Estate Development rights. The information provided in the RFI is subject to change and is not binding on CalOptima. CalOptima has not made a commitment to contract for any of the items discussed, and release of this RFI should not be construed as such a commitment. All submissions become CalOptima property and will not be returned.

SECTION II: CALOPTIMA BACKGROUND AND OVERVIEW

1. County Organized Health Systems (COHS) Background

The California State Medicaid (Medi-Cal) program came into existence in March 1966 as a fee-for-service health care delivery system. In May 1972, Medi-Cal beneficiaries began enrolling in managed care plans when the first Prepaid Health Plan (PHP) contract went into effect. Joining a PHP was voluntary and limited to those in a public assistance aid category.

In June 1983, a new type of managed care program, the County Organized Health System (COHS), became operational. The COHS managed care model ensures Med-Cal recipients access to comprehensive, cost-effective health care. Each COHS plan is sanctioned by the County Board of Supervisors and governed by an independent commission.

2. CalOptima Overview

CalOptima's Overview can be located by clicking on the following link and by selecting 'View CalOptima Fast Facts': <https://www.caloptima.org/AboutUs.aspx>

SECTION III: GENERAL REQUIREMENTS

1. BUSINESS OBJECTIVES/TIMING

CalOptima is considering monetizing the additional available land and entitlement rights located adjacent to its headquarters building located at 505 City Parkway West, Orange, California. CalOptima has the following key objectives:

- 1.1. Monetizing this asset while the development rights are still available;
- 1.2. Providing for potential additional expansion space to meet CalOptima's chartered goals and objectives.

While CalOptima has the ability and resources to develop the parcel internally, there may be significant advantages to having this development be completed through a sale (with leaseback opportunities), joint venture or other financial structure with a third-party.

The primary objective of this RFI is to begin to collect information on third parties that may be potentially interested in acquiring, joint venturing, trading or otherwise assist CalOptima in monetizing this asset.

While no particular timeframe has been established, the initial goal would be to enter into an agreement with a third-party that would allow for the development and construction of the building before expiration of the development rights in October, 2020.

As one of CalOptima's stated goals is to provide for the potential expansion of its workforce in furtherance of its core mission, and development rights for an additional office building are currently in place, CalOptima will only consider expressions of interest, and ultimately development of a class A office building of a type that is similar in quality and configuration to its existing 505 Building. Parties interested in land-use conversion (i.e. apartments or high density residential) should not respond to this RFI, as any such proposed uses will be dismissed without comment.

2. PROJECT OVERVIEW/BACKGROUND

CalOptima acquired the real estate development rights in 2014. The original development of the property site contemplated future construction of an additional 10 story 200,000 SF building to be known as 605 City Parkway West, Orange, CA, as well as an adjacent parking structure, which would accommodate both 505 and 605 buildings.

The objective of this RFI is to collect information from potential interested parties that might help CalOptima achieve these goals.

CalOptima is willing to consider a variety of potential real estate transaction structures. Responders are encouraged to address each of the alternatives outlined below. CalOptima does not, at this time, have a preferred structure. CalOptima will evaluate each of the responses in the interest of obtaining the greatest economic and intrinsic benefit to CalOptima. Respondents are also encouraged to propose alternative ideas that may be of interest to CalOptima.

CalOptima predicts that it may need additional space beyond its corporate headquarters, over time. As such, a continuing right, but not the obligation, to occupy space in the future building to be constructed by Offeror on the Excess Land may be of significant interest to CalOptima.

3. Considerations

- 3.1. Direct Fee Purchase: CalOptima may consider a direct fee purchase of the Excess Land and associated entitlements. Respondent's proposal for this approach must include estimates of

proposed purchase price, transaction timing, and other general provisions of Respondent's proposal.

- 3.2. **Ground Lease/Participating Ground Lease:** CalOptima may consider a ground lease of the Excess Land. In the case of a ground lease, or participating ground lease proposal, the Offeror should include an estimated initial base rent, lease term and lease payment commencement, proposed escalation, ground lease term, subordination (an unsubordinated ground lease is strongly preferred), and other general terms of the ground lease/participating ground lease. In the event Offeror proposes a participating ground lease, Offeror's proposal should include minimum rent, percentage participating, formula and basis for participation as well as the other terms addressed in the fixed ground lease proposal.
- 3.3. **Joint Venture:** While a joint venture between a private-sector entity and a public agency does present its challenges, CalOptima wants to remain flexible with regard to potential transaction structures that may enhance cash flow, flexibility and overall economic benefit for the agency. Respondents proposing a joint venture structure should address joint venture structure preferential rates of return, capital contribution values, distribution priorities and capital risk exposure. Please keep in mind that CalOptima will require that its equity value be in first priority and not subject to foreclosure risk.
- 3.4. **Potential Trade:** As part of its mandated healthcare delivery mission for the residents of Orange County, CalOptima anticipates that its staffing levels may continue to increase over the coming years. While CalOptima does not occupy all of the current building, it anticipates that as a space in the building is recaptured, its space needs may exceed the capacity of the current building. As such, acquisition of a nearby, preferably, adjacent building may be of interest to CalOptima. Respondents that currently own a nearby building may want to consider proposing a trade of the Excess Land for such a building. Respondents considering this approach should address: the location and physical condition of the trade property, any existing leases or other restrictions on occupancy, building condition, and terms of trade.

4. Highlights of CalOptima's Development Rights Agreement

4.1. Development Agreement

- a. **Rights for development of the "605 Building" and related parking structure.**
Development rights for the referenced City Plaza Two Site were subsequently assigned to another developer (see Estoppel Certificate).
- b. **Section 1(j)(2)(B) - CUP for 605 Building site (approved by City Council 10/9/01) - 10 story, 200,000 SF building and a 5-level, 1,528 space parking structure.**
- c. **Section 1(j)(3)-(6) - Cost sharing with other projects for area traffic improvements and widening of Orangewood Avenue bridge over the Santa Ana River (should be no exposure to such costs if development does not occur at the 605 Building site).**
- d. **Section 7(e) - Good Faith Efforts Regarding Block of Orange Expansion - Mentions CC&R's of "The City" (to be further researched).**
- e. **Section 12 - Term expires 10/28/19.**
- f. **Section 14(a) - Covers assignment for a portion of the project sold; requires 30 day notification by Seller and Purchaser is to agree in writing to be subject to terms of the Agreement.**
- g. **Section 14(b) - Reference is made to responsibility for reporting and annual review requirements (to clarify).**
- h. **Public Benefit Fees.** Fees would have needed to be paid in order to keep the Agreement active, including library and park related fees.
- a. **Prior to obtaining a certificate of occupancy, separate \$25,000 fees would be required for two City of Orange Foundations.**

4.2. First Amendment to Development Agreement – Executed 1/20/06:

- a. Public Benefit Fees Payable - \$15,000 of a \$100,000 Park Fee to be paid within two business days of receiving a building permit for the 605 Building.

4.3. Second Amendment to Development Agreement

- a. Amended Exhibit D is provided for, with remaining applicable fees being as follows
 1. \$15,000 Library Fee (15% of \$100,000) and \$15,000 Park Fee (15% of \$100,000) within two business days of receiving a building permit for the 605 Building.
 2. If the Agreement has not been terminated and an agreement has not been reached with the Block owner regarding certain elements of the proposed Block expansion, prior to obtaining a certificate of occupancy, separate \$25,000 fees would be required for two City of Orange Foundations; and
 3. Commencing on the Second Resolution Effective Date (5/30/07) and each anniversary thereof, continuing through the initial term (10/28/14), a \$30,000 fee is required.

4.4. Operating Memorandum – Executed 1/22/07:

- a. Block expansion plans were modified and CC&R's were amended by Block ownership and the City Parkway ownership at the time.
- b. City Parkway owner relieved of any or all of the Public Benefit Fees.

4.5. Estoppel Certificate – Provided by City of Orange to the Current Ownership, 5/13/09:

- a. Indicates Maguire assigned its rights to the City Plaza Two Site in August 2008 to HFOP City Plaza, LLC.
- b. Acknowledges there were no Public Benefit Fees or other development, traffic mitigation or processing fees due from Maguire (seller) at that time.
- c. Certificate shall inure to the benefit of Purchaser, Lender and their respective successors and assigns.

4.6. Conditional Use Permit – Resolution No. PC 19-01 (as referenced in Section 1(j)(2)(B) of the Development Agreement):

- a. Approval for a 10-story, 200,000 SF office building and 5-level, 1,528 space parking structure, subject to several conditions and mitigation measures outlined in the CUP.

5. SUGGESTED CONTENT OF RESPONSE

CalOptima is asking interested Respondents to submit a response containing, at a minimum, the following information.

5.1. General Respondents Information

- a. Explain the reason for your firm's interest in possibility providing the services listed within this RFI.
- b. Name and contact information of person we can contact if we have questions.
- c. Brief history of your firm.
- d. Brief description of past experience providing similar services.

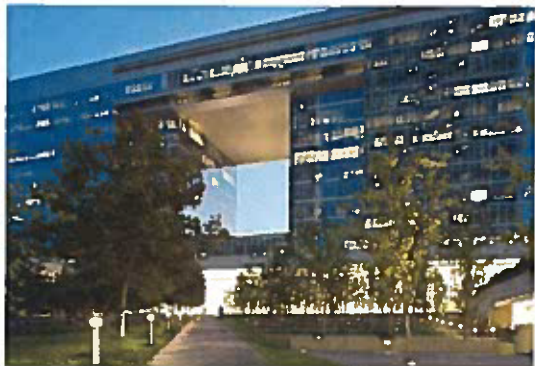
5.2. Additional Questions

- a. Provide any comments, observations or suggestions which may assist CalOptima in drafting a procurement solicitation.
- b. Please provide a brief summary of how you might envision the transaction structures that your firm would propose.

- c. If possible, please provide preliminary economic results of how you might see a transaction being structured.
- d. Please provide a potential timeline for any of the structures that you believe might be appropriate for your firm.
- e. Please outline the obligations that your firm would request of CalOptima as part of any transaction structure.



RESPONSE TO REQUEST FOR INFORMATION: PROPERTY & ASSOCIATED REAL ESTATE DEVELOPMENT RIGHTS 605 CITY PARKWAY WEST, ORANGE, CA



PRESENTED TO:



PRESENTED BY:



APRIL 21, 2017

Tom Bak
Senior Managing Director
Trammell Crow Company
Development and Investment

Trammell Crow Company

3501 Jamboree Road, Suite 230
Newport Beach, California 92660

Work: 949.477.4702
Fax: 949.477.9107

tbak@trammellcrow.com
www.trammellcrow.com

April 21, 2017

Ms. Kim Marquez
Senior Buyer
CalOptima Vendor Management Department
505 City Parkway West
Orange, CA 92868

RE: Response to RFI for Property & Associated Real Estate Development Rights at 605 City Parkway West

Dear Ms. Marquez:

We are pleased to formally provide this Response to Request for Information for the Property and Associated Real Estate Development Rights located at 605 City Parkway West in the City of Orange.

The Trammell Crow Company is widely recognized as the Nation's largest developer by total product under construction, and has been ranked #1 for the past three consecutive years in Commercial Property Executive Magazine's 2014, 2015, & 2016 list of national developers. The proposed team highlighted in this proposal offers local Class A Office Development experience backed by a nationally renowned organization.

In the pages that follow, you will find a detailed response that seeks to emphasize the following key elements that we believe position our team to provide CalOptima with the highest level of service and certainty of performance:

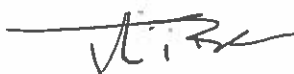
Local Presence & Experience: Trammell Crow Company has had a strong presence in Southern California since 1972. Our SoCal team is currently comprised of 28 real estate professionals who cover Orange County, Los Angeles, San Diego, and the Inland Empire. Over the last few years, while many of our competitors have disappeared, our balanced business model combining development with acquisitions has allowed us to thrive and gain substantial market share. Our Southern California team has experience building and entitling well over 100 projects across class "A" office, healthcare, industrial, retail, mixed use, and residential product types.

Office Development Expertise: Trammell Crow Company's Southern California Development & Investment team has an established reputation in Class-A office development, with individuals who dedicate their entire practice to the successful execution of office projects, specifically development and leasing. In just the past ten years, we have developed a diverse array of office product, including speculative, build-to-suit, ground-up and redevelopment, totaling 1.9M SF and valued at over \$1.3 billion.

Public Agency & Government Collaboration: Our Team has a proven track record of successfully working with local governments on the acquisition, ground-leasing, development, planning, construction, leasing, and property management of office buildings leased to public agencies and governmental tenants. We are also experts in developing strategies for designing, financing and constructing projects that serve as sources of economic development for the surrounding community. These buildings are compelling places to work as well as sources of community identity and renewal.

Our team offers extensive Southern California development experience, a strong history of partnerships with governmental clients, design-build expertise, ability to independently finance the project, and, most importantly, a culture of honesty and dedication with a commitment to exceeding client expectations. We greatly appreciate your consideration and the opportunity to work with CalOptima on this exciting piece of property. We look forward to meeting with you to discuss our proposal. If you have any questions regarding the attached proposal, please do not hesitate to contact me.

Warm regards,



Tom Bak
Senior Managing Director

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Trammell Crow Company

SECTION 1. GENERAL RESPONDENTS INFORMATION

A. EXPLAIN THE REASON FOR YOUR FIRM'S INTEREST IN POSSIBILITY PROVIDING THE SERVICES LISTED WITHIN THIS RFI.

Since 1948, Trammell Crow Company (TCC) has consistently been viewed as a leader and innovator within the real estate development industry. The organization has built its reputation by focusing on building the best product in the best location. Our Southern California Business Unit has been continually developing successful Class A office product on both a build-to-suit and speculative basis, throughout each of the past ten years, totaling the successful delivery and leasing of over 1.35M SF of office space since 2007, with another 550K SF on track to be completed later this year.

TCC has a long, successful reputation of development within Orange County, and is extremely bullish on this market. We are currently under construction on the largest speculative ground up office development in Southern California. As such, we are in contact with every tenant in the market that is looking for new, high quality work space. We view this as a tremendous opportunity to deliver Class-A office product to the Central County marketplace due to the asset's:

Premier Location: The subject property's premier location in the heart of the City of Orange, adjacent to existing Class A office product, and a surplus of amenities within walking distance makes this an ideal opportunity to provide the newest product to Central Orange County. TCC previously developed the Arena Corporate Center, a 385,000 SF nearby Class A office park, with significant success and has actively been searching for another opportunity in the sub-market.

In-Place Entitlements: The existing entitlements for the project offer a tremendous opportunity to deliver high quality space in a market that has seen minimal development in the past several years. Speed to market is essential in satisfying the needs of tenants in search of space.

We are confident that not only does this particular property offer tremendous potential to satisfy the needs of Orange County's tenant base, but TCC is the ideal group to strategically position, design, develop, and lease this excellent asset with a reputation of:

Successful Collaboration & Partnership with Public Agencies: TCC has worked with numerous governmental and public agencies to entitle, finance, design, and develop numerous Class-A projects throughout Southern California. As detailed in the following case studies, in the past 10 years alone, the TCC Southern California team has successfully completed five built-to-suit office projects, totaling approximately 600,000 SF, and is nearing start of construction on a 200,000 SF, highly customized Medical Office Building for the County of Riverside.

Consistent On-time & On-budget Deliveries: Whether CalOptima determines a need for additional space, or the entire building is ultimately marketed to the outside community, every tenant depends upon a reliable budget and schedule. TCC has a proven track record for delivering projects on-time and on-budget, resulting in consistent repeat business with our clients.



B. NAME AND CONTACT INFORMATION OF PERSON WE CAN CONTACT IF WE HAVE QUESTIONS.

Profiles for the primary members of the development team that would be dedicated to this project are included on the following pages. David Nazaryk , Managing Director, will serve as Primary Point of Contact.

DEVELOPMENT TEAM



PROJECT DEVELOPMENTS

The Boardwalk
County Law Building
Gateway at Alhambra
Innovation Village Research Park
2000 Avenue of the Stars
Arena Corporate Centre
Pacific Vista
Kendall Healthcare BTS
Burbank Airport Plaza
Main Street District Center
California Palms Business Center
Sycamore Business Park
Knox Logistics Center
1-215 Logistics Center
Westec BTS
Centrepointe Chino I
Gateway Diamond Bar
Harman International Campus
Irwindale Business Center I
Irwindale Business Center II
Centrepointe Chino II

TOM BAK SENIOR MANAGING DIRECTOR

3501 JAMBOREE ROAD, SUITE 230
NEWPORT BEACH, CALIFORNIA 92660
O: 949.477.4702
TBAK@TRAMMELLCROW.COM

Tom Bak is Senior Managing Director of Trammell Crow Company where he serves as a member of the firm's Operating Committee and as a subject matter expert for the National Investment Committee. In his capacity as Senior Managing Director, Tom is responsible for raising capital, setting investment strategy, creating deal flow, negotiating and structuring transactions, advising on financing, asset management and property-related issues, and overseeing the day to day activities of Trammell Crow's Southern California Development & Investment professionals.

EXPERIENCE

Under Tom's leadership, the Southern California Development & Investment Group has completed, or is in the process of completing, the acquisition and development of office, industrial and brownfield projects totaling over 20 million square feet and representing investments of over \$1.5 billion from public and corporate pension funds, insurance companies, REITs, Taft Hartley funds, endowments and high net worth partners.

Tom began his career with Trammell Crow Company as a leasing agent. He has received numerous regional and national awards recognizing his achievements as a top leasing and development producer. In 1989, he became one of the youngest partners in the firm. In 1996, Tom became leader of the Southern California Development & Investment Group.

EDUCATION & CREDENTIALS

University of California Los Angeles, MBA
Amherst College, B.A.

PROFESSIONAL AFFILIATIONS/COMMUNITY INVOLVEMENT

Past President, National Association of Industrial and Office Properties (NAIOP) - Los Angeles Chapter
NAIOP I.CON Conference Speaker, Industrial Trends
University of California - Irvine, Center for Real Estate Advisory Board
Urban Land Institute Conference Speaker, Office Building Design Trends
Pension Real Estate Association (PREA), Developer Affinity Group
St. Joseph Hospital, Planning and Community Benefits Committees

DEVELOPMENT TEAM (PRIMARY POINT OF CONTACT)



DAVID NAZARYK
MANAGING DIRECTOR
3501 JAMBOREE ROAD, SUITE 230
NEWPORT BEACH, CALIFORNIA 92660
O: 949.477.4732
D: NAZARYK@TRAMMELLCROW.COM

David has developed much of TCC's portfolio in Southern California since joining the company in 1996. He also manages the operations of the group. He is responsible for sourcing, underwriting, financing and developing office and industrial projects throughout the Southern California region.

Through his relationships with the brokerage network, governmental officials and capital partners, David has seamlessly and successfully completed some of the largest and most complicated projects within the TCC national portfolio. He has structured and documented numerous development projects with TCC's existing investment relationships and has forged new ones for the company. He is also highly regarded in the company for his unique ability to craft and execute complicated built-to-suit projects. His reputation is one of over-delivering on his promise and providing maximum returns on a variety of real estate development projects. His efforts have been recognized locally and nationally by colleagues through NAIOP Best Project, San Gabriel Valley Best Developer and numerous other awards.

EXPERIENCE

Trammell Crow Company – Southern California– 1996 to Present **Managing Director**

- Successfully master planned 10,600,000 SF and developed 6,000,000 SF of office and industrial projects throughout Southern California.
- Established land use designs and/or development plans through selecting, supervising and directing required consultants.
- Negotiates with cities and other governmental agencies to obtain appropriate development mix, entitlements, and land use design standards.
- Effectively markets specific projects such as land, speculative development or build-to-suit, for lease or sale.
- Coordinates all stages of off-site and on-site construction, including tentative and final parcel maps, infrastructure and utility drawings, street and utility construction, preliminary building site plans or office floor plans, working drawings, permit process, construction bidding, on-site shell and tenant improvement construction, Certificate of Occupancy and punch-list completion.
- Provides value engineering through construction experience and local consultant expertise.

Catellus Development Corporation – 1983 to 1996 **Project Director**

EDUCATION & CREDENTIALS

Evangel College, Springfield, MO, B.A., 1983

PROFESSIONAL AFFILIATIONS/COMMUNITY INVOLVEMENT

Board of Directors, American Red Cross
Member, National Association of Industrial and Office Properties
Member, Urban Land Institute

PROJECT DEVELOPMENTS

The Boardwalk
County Law Building
Gateway at Alhambra
Innovation Village Research Park
2000 Avenue of the Stars
Arena Corporate Centre
Pacific Vista
Kendall Healthcare BTS
Westec BTS
CentrepoinTE Chino I
Gateway Diamond Bar
Harman International Campus
Irwindale Business Center I
Irwindale Business Center II
CentrepoinTE Chino II
Burbank Airport Plaza
Main Street District Center
California Palms Business Center
Sycamore Business Park
Innovation Village Research Park
Knox Logistics Center
1-215 Logistics Center

Trammell Crow Company

DEVELOPMENT TEAM



PROJECT DEVELOPMENTS

The Boardwalk
County Law Building
Gateway at Alhambra
Innovation Village Research Park
Phase 3, 4, & 5
Washington Mutual Irvine
Office Expansion
Opus Center Irvine Phase I & II
Fairway Center II
Summit Phase I
Westec Orange County
Communications
Galaxy Latin America
Cabot, Cabot & Forbes
Corporate Center
South Coast Metro Center
I-215 Amazon BTS
Amazon Fulfillment Center
Redlands Business Park
Magnolia Point

MATT CRAMER
SENIOR VICE PRESIDENT
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O: 949.477.4735
MCRAMER@TRAMMELLCROW.COM

Matt is a recognized industry leader in office product and often lends his expertise to other TCC business units. Matt's strengths include deal underwriting, securing of entitlements, comprehensive development management, pre-construction programming, design-build and construction management. His career path has included various positions from project superintendent to development manager and he is known for his ability to manage and execute difficult projects on time and on budget.

Matt brings more than 25 years of development and construction expertise to Trammell Crow Company. During his career, he has managed development and/or construction of over 9,000,000 square feet of office buildings, parking structures, mixed-use projects, industrial buildings, high tech facilities and public facilities, ranging from \$5 million to over \$300 million from conception to project completion. Matt is a recognized industry leader in office product and often lends his expertise to other TCC business units. Matt's strengths include deal underwriting, securing of entitlements, comprehensive development management, pre-construction programming, design-build and construction management. His career path has included various positions from project superintendent to development manager and he is known for his ability to manage and execute difficult projects on time and on budget.

EXPERIENCE

Trammell Crow Company – Newport Beach, CA – 2005 to Present
Senior Vice President, Development Management

Howard S. Wright Construction Company – 2003 to 2005
Project Executive/Business Unit Manager

Opus West Construction Corporation – 1998 to 2003
Senior Project Manager

L.E. Wentz Company – 1997 to 1998
Senior Project Manager

ARB, Inc. – 1995 to 1997
Project Manager

Turner Construction Company – 1987 to 1995
Project Superintendent

EDUCATION & CREDENTIALS

California State University, Long Beach, B.S., Construction Management

PROFESSIONAL AFFILIATIONS/COMMUNITY INVOLVEMENT

Member, NAIOP, SoCal and Inland Empire chapters
Advisory Council Member, California State University Long Beach School of Engineering
Member, Trammell Crow Company National LEED® "Green Task Force"
State of CA Registered Disaster Service Worker, OES Certified Safety Assessment Volunteer
Step Up On Second Charitable Organization, Past Chairman, Board of Directors

DEVELOPMENT TEAM



CHRIS TIPRE
SENIOR VICE PRESIDENT
3501 JAMBOREE ROAD, SUITE 230
NEWPORT BEACH, CALIFORNIA 92660
O: 949.477.4717
CTIPRE@TRAMMELLCROW.COM

Chris serves as Senior Vice President for Trammell Crow Company's Southern California Business Unit in Newport Beach, California. He is responsible for land and deal sourcing, financial analysis, due diligence, entitlements, capital relationships, development coordination, and project marketing and leasing.

PROJECT DEVELOPMENTS

The Boardwalk
County Law Building
Gateway at Alhambra
Ontario Innovation Center I & II
Knox Logistics Center
1-215 Logistics Center
Magnolia Point
Innovation Village 5

EXPERIENCE

Trammell Crow Company – Newport Beach, CA – 2011 to Present
Senior Vice President

- Responsible for management of finance, marketing, leasing, development and operations of 545K SF Class A speculative office development.
- Performs detailed and customized underwriting as primary analyst for all office and industrial acquisitions
- Prepares comprehensive investment summaries with asset and market level analyses for presentation to internal investment committee and institutional investment partners
- Works alongside capital partners, brokers, tenant representatives and prospective investors to analyze new opportunities

LBA Realty – Irvine, CA – 2011
Asset Management Intern

- Assisted in the valuation and management of a \$4B portfolio of office and industrial assets

Terranomics Retail Services – Burlingame, CA – 2007 to 2008
Retail Commercial Real Estate Specialist

- Represented Fortune 500 and regional tenants to establish expansion plans, select locations, and negotiate leases in prime retail space
- Managed the leasing of over 2M SF of Power Centers and Grocery anchored shopping center space

Sotheby's International Realty – Santa Barbara, CA – 2006 to 2007
Residential Real Estate Agent

EDUCATION & CREDENTIALS

UC Irvine Merage School of Business, MBA, Real Estate & Finance
UC Santa Barbara, BA, Business & Economics with Emphasis in Accounting

PROFESSIONAL AFFILIATIONS & COMMUNITY INVOLVEMENT

NAIOP – SoCal Chapter
NAIOP – SoCal YPG Alumni
LEED® AP BD+C

C. BRIEF HISTORY OF YOUR FIRM.

National Experience

Trammell Crow Company (TCC), founded in 1948 in Dallas, Texas, is one of the nation's leading developers and investors in real estate. The company has developed or acquired 2,600 buildings valued at \$60 billion and over 565 million square feet. TCC's teams are dedicated to building value for its clients with professionals in 16 major cities throughout the United States. The company serves users of, and investors in office, industrial, retail, healthcare, multi-family residential, mixed use projects, higher education, and airport facilities. For those who occupy real estate, TCC can execute the development or acquisition of facilities tailored to meet its clients' needs. For investor clients, the company specializes in joint venture speculative development, acquisition/re-development ventures, build-to-suit development or providing incentive-based fee development services.

TCC is an independently operated subsidiary of CBRE Group, Inc. (NYSE:CBG), a publicly traded, Fortune 500 and S&P 500 company headquartered in Los Angeles, California. CBRE is the world's largest commercial real estate services and investment firm (in terms of 2016 revenue). For more information visit www.TrammellCrow.com.

Local Expertise

Since TCC's Southern California Development and Investment Group (SoCal D&I) opened in 1972, our team has developed over 100 office, industrial, retail, healthcare, and mixed use projects totaling more than 35 million square feet throughout Los Angeles, Orange, San Bernardino, Riverside, San Joaquin and San Diego Counties. Our Southern California team of 28 professionals is consistently ranked as a "Top Tier" developer and is known for consistently creating the right product in the right market.

Over the past fifteen years, SoCal D&I has built, or is in the process of building, 45 projects comprised of 115 buildings, totaling more than 18 million square feet of office, retail, and industrial product on nearly 1,000 acres of land with costs eclipsing \$2.0 Billion. Our team includes in-house environmental expertise through EASI, a division dedicated to managing and mitigating environmental impacts and risks on all new developments. We have worked with numerous cities and municipalities throughout California including, but not limited to Alhambra, Anaheim, Century City, Corona, County of Riverside, Diamond Bar, Fontana, Indio, Irvine, Irwindale, Lake Forest, Los Angeles, Moreno Valley, Pasadena, Redlands, Riverside, and Tracy. Our Team has a proven track record of land acquisitions, ground-leasing, development, planning, construction, leasing, and property management of office buildings. Our experience in each of these areas is demonstrated by the projects outlined herein.

ONE OF THE NATION'S LEADING DEVELOPERS AND INVESTORS IN COMMERCIAL REAL ESTATE

TCC DEVELOPMENT

As of 4Q 2016

Development in Process	\$6.5B
Pipeline	\$4.1B
Operating	\$0.2B
TOTAL	\$10.8B

MERITS

#1 Top Development Firm Commercial Property Executive National
2014, 2015 & 2016

#1 Development Company 2014 & 2015
Modern Healthcare Magazine's Design and Construction Survey

\$2.6B in construction starts in 2016



D. BRIEF DESCRIPTION OF PAST EXPERIENCE PROVIDING SIMILAR SERVICES.

The following case studies highlight the TCC SoCal Business Unit's range of experience and expertise across a range of office development product, including speculative, build-to-suit, ground up, and redevelopment.

COUNTY LAW BUILDING - INDIO, CA



PROJECT:

COUNTY LAW BUILDING

LOCATION:

Indio, CA

COMPLETION DATE:

December 2014, On Time and Under Budget

REFERENCE:

Stephen Gilbert, Development Manager, Riverside County EDA, (951) 955-4824

PROJECT TYPE:

Class A Office, Governmental Agency Build-to-Suit

SQUARE FOOTAGE:

90,000 SF

PROJECT SUMMARY:

In November 2012, Trammell Crow Company's Southern California Business Unit was selected by the County of Riverside Economic Development Agency as Developer to design, entitle, and construct a state of the art County Law Building in the City of Indio, CA. The new building consolidated multiple County legal departments into a single facility adjacent to the Larsen Courthouse. Located at the prominent corner of Highway 111 and Jackson Street, the Class-A, three story structure creates a focal point at the justice center complex in the midst of its revitalization.

The 90,000 SF steel frame building takes advantage of a uniquely shaped site, addressing security and offering multiple access points to separate the public from employee and security oriented vehicle traffic. The building program resulted in the Family Justice Center and the Victim Witness functions occupying 55,000 SF, the Public Defender occupying 24,500 SF, the County Counsel 1,400 SF and the County Law Library 9,450 SF. A future freestanding 5,000 SF retail building will serve the law building and the adjacent community.

The project is designed to provide a variety of passive people places both inside and out, including a generous entry plaza complete with an attractive water feature and public art sculpture, shaded outdoor seating and generously landscaped spaces. Through strategic planning, the design team was able to introduce multiple sustainable features including extensive sun shading devices, drought tolerant landscaping, on-site storm drain water retention while recharging the local ground water system, electric vehicle charging stations, photovoltaic parking shade structures, recycled content, low-emitting building materials and many other solutions that have resulted in the project receiving a LEED® Platinum Certification. The project was delivered ahead of schedule and \$4M under budget.

GATEWAY AT ALHAMBRA - ALHAMBRA, CA



PROJECT:	GATEWAY AT ALHAMBRA
LOCATION:	Alhambra, CA
COMPLETION DATE:	September 2012, On Time and Under Budget
REFERENCE:	Jeffrey Siebens, Assistant Director Construction Management, Community Development Commission, County of Los Angeles (626) 586-1792
PROJECT TYPE:	Class A Office, Redevelopment, Governmental Agency Build-to-Suit
SQUARE FOOTAGE:	118,265 SF
PROJECT SUMMARY:	In August 2010, the Trammell Crow Company's Southern California Business Unit was selected by the National Development Council and the Community Development Commission of the County of Los Angeles (LACDC) as the Developer to design, entitle and construct a state of the art office building for the LACDC. The Gateway at Alhambra was developed in an urban area, where the supply of land is severely constrained. The project development required the demolition of an existing theatre and renovation of an existing parking structure. By selecting a site that could utilize an existing structure, the project was guaranteed sufficient parking, and benefitted from decreased construction time and costs.

The Build-to-Suit office building consolidated two County entities, The Community Development Commission and the Housing Authority, previously located in three separate facilities into a single location. A requirement of the project was to integrate three different and distinct user groups into one building environment. As a redevelopment with an existing parking structure, the building ended up occupying nearly the entirety of the remaining site and the resulting space planning was integrated into a non-typical building site plan.

As a result of extremely efficient design and a collaborative space planning effort by all project constituents, TCC and the project architect were able to reduce the County's original space requirement from 155K SF down to 118K SF, a reduction of nearly 20%, resulting in a significant overall savings in project costs. As part of the project requirements the Community Development Commission required a LEED Silver certification level from the USGBC with the goal of developing a highly sustainable project that would conserve energy, water and non-renewable natural resources while creating a healthier and more comfortable work environment for the Commission and Housing Authority employees. Through strategic planning, the project far exceeded the Community Development Commissions goals as the project ultimately achieved LEED Gold certification.

USC HEALTH SCIENCES BUILDING - LOS ANGELES, CA



PROJECT:	USC HEALTH SCIENCES BUILDING
LOCATION:	Los Angeles, CA
COMPLETION DATE:	August 2011, On Time and Under Budget
REFERENCE:	Kristina Raspe, Director, Real Estate and Facilities - Apple, (408) 862-7099
PROJECT TYPE:	Class A Office, Institutional Build-to-Suit
SQUARE FOOTAGE:	120,000 SF
PROJECT SUMMARY:	<p>Trammell Crow Company was selected by the University of Southern California, from a pool of 17 development teams, to ground lease a 5.3 acre property adjacent to the University's Health Science Campus in downtown Los Angeles, create a financing structure to execute the project, and then develop a 120,000 SF administrative office building, which USC would lease back on a concurrent 20 year lease term.</p> <p>To provide USC with a turnkey building, Trammell Crow Company stepped in to manage the programming, design and layout, construction and FF&E delivery of the administrative office, classroom, fitness center and café space. This entailed consolidating 13 different users from all over the USC Los Angeles portfolio into a singular building, while maintaining the specific academic needs of each user group.</p> <p>The project was a resounding success, opening its doors on August 2011 to an onslaught of incoming students ready for their first day of the school year. The project was 4.5 months ahead of USC's required schedule and \$2M under budget..</p>

INNOVATION VILLAGE RESEARCH PARK - POMONA, CA



PROJECT:	INNOVATION VILLAGE RESEARCH PARK AT CAL POLY POMONA
LOCATION:	Pomona, CA
COMPLETION DATE:	2007, June 2011, December 2015, On Time and Under Budget
REFERENCE:	Sandra Vaughan-Acton, Director of RE Development, Cal Poly Pomona Foundation, Inc. (909) 869-3154
PROJECT TYPE:	Master Planned Class A Office Park, Speculative & Build-to-Suit
SQUARE FOOTAGE:	369,000 SF
PROJECT SUMMARY:	Trammell Crow Company and Cal Poly Pomona University entered into a public/private venture to create a Research Park on its campus. The mission of the partnership was to create an environment in which the business community and the University could interact and collaborate with one another by offering internships to students, job opportunities for graduating students, support of campus programs, etc. TCC and Cal Poly worked together to refine a Master Plan for the remaining 65 acre master planned development with the goal of utilizing additional development opportunities for Build-to-Suits, on-campus academic and student housing facilities.

Early in the process it was determined that modern 3-story tilt-up concrete buildings would be the most cost effective construction solution for the product type that was identified to meet the demand in the marketplace. Efficient 40,000 SF floor plates containing a core for each floor with two elevators and adequate restrooms offered flexibility for a wide variety of users, including corporate headquarters, back office, and multi-tenant spaces. The work environment was enhanced by the inclusion of lush landscaping, large people places for relaxation, lunches and outdoor work space, as well as extensive sustainable design features for energy savings, renewable energy, recycled materials, drought tolerant landscaping and water retention resulting in recharging the local groundwater system.

Innovation Village Phase 3 commenced as a speculative development by TCC, however Southern California Edison (SCE) was soon identified as a tenant for the entire building. During Phase 3, TCC developed a close partnership with SCE, leading to additional Build-to-Suit opportunities at Innovation Village. In 2009 and again in 2014, TCC was selected as the Developer to design, entitle, and construct Phase 4 and Phase 5 as additional state-of-the-art office buildings to house SCE's Transmission Business Unit.

ARENA CORPORATE CENTER - ANAHEIM, CA



PROJECT:	ARENA CORPORATE CENTER
LOCATION:	Anaheim, CA
COMPLETION DATE:	2003, On Time and Under Budget
PROJECT TYPE:	Speculative Class A Office Park
SQUARE FOOTAGE:	385,000 SF
PROJECT SUMMARY:	

Arena Corporate Center is a prime example of how TCC's capabilities benefit our clients. Trammell Crow Company purchased 23 acres of land directly adjacent to the Arrowhead Pond in August 2001. The project, comprised of 3 two-story buildings totaling 385,000 square feet, was considered risky by industry experts due to rising vacancy rates, falling rental rates and the languishing recession.

The TCC team recognized that the submarket lacked quality back office space and determined the local tenant base would prefer a campus type environment, a product that was lacking in Central Orange County. Based on these findings, our team scrapped the existing entitled plans and designed 3 two-story buildings with the largest floor plates in the market. The project includes a one-acre palm tree courtyard with electrical and data hookups, outdoor jogging tracks, basketball court and on site showers. Tenants benefit from features such as 1,000 feet of visibility from the 57 freeway, traffic of almost 300,000 cars per day and 5:1 parking.

The project was an immediate success with Tenant Healthcare signing the first lease for 150,000 square feet prior to groundbreaking in March 2002. Construction was completed in June of 2003 and the project was 100% leased at above pro forma rents just 4 months later. Tenants include: Washington Mutual (56,210 SF), Advantage Sales (46,432 SF), Ameriquest (127,750 SF).

THE BOARDWALK - IRVINE, CA



PROJECT:

THE BOARDWALK

LOCATION:

Irvine, CA

COMPLETION DATE:

Projected Completion Summer 2017, Currently On Time & On Budget

PROJECT TYPE:

Class A Speculative Office Campus

SQUARE FOOTAGE:

545,385 SF

PROJECT SUMMARY:

Located on Orange County's most traveled thoroughfare, this 7.5 acre project will be comprised of two, nine-story towers totaling approximately 545,000 square feet of best-in-class office space, two acres of landscaped outdoor space, and abundant on-site amenities. Designed by world renowned architect Gensler, The Boardwalk is poised to revolutionize the Orange County workplace through a perfect blend of form and function, delivering not only iconic architecture and a picturesque landscape, but a design that promotes productivity, efficiency, wellness, and a coastal lifestyle.

The buildings offer large floor plates, connected on alternating floors with indoor bridges and outdoor terraces. By bridging the two buildings, The Boardwalk provides the opportunity for up to 65,000 square feet of contiguous space on a single floor, offering unmatched connectivity and efficiency, and office and amenity space unlike anything else in the market. This cutting edge design will enhance productivity by promoting collaboration and demonstrate a creative culture. The Boardwalk offers a comprehensive amenity package including indoor and outdoor workspace, on-site fitness and wellness center, and on-site dining options to provide a well-rounded lifestyle for its occupants.

The project is currently under construction, with completion scheduled for Summer of 2017. Leasing is underway, with multiple leases and LOI's currently being negotiated with potential to account for over 400,000 SF of space.

RIVERSIDE UNIVERSITY HEALTH SYSTEM MOB - MORENO VALLEY, CA



PROJECT:	RIVERSIDE UNIVERSITY HEALTH SYSTEM - MEDICAL OFFICE BUILDING
LOCATION:	Moreno Valley, CA
COMPLETION DATE:	Projected Completion 4Q 2019
PROJECT TYPE:	Master Planned Development, Phase 1: Class A Build-to Suit Medical Office Building
SQUARE FOOTAGE:	200,000 SF

PROJECT SUMMARY: In April 2015, Trammell Crow Company’s Southern California Business Unit was selected as the Master Developer and Owner to plan, design, entitle and construct a state of the art medical office building for the County of Riverside Economic Development Agency and the Riverside University Health System Medical Center. The new building would be located within the existing parking field of the Medical Center and would provide ambulatory care services and ancillary functions for the hospital.

TCC was requested to provide a 200,000 SF MOB located directly in front of the main entrance to the hospital from Cactus Avenue. The building was sited in a manner that allows for connectivity to the existing Education Building & parking fields, as well as future integration into the hospital campus and a proposed parking structure to the east. The location of the building required the relocation of the main entry drive further from the current southern location to the west and creating a new 8,000 SF Lobby/Café building with a connected canopy structure to bring visitors and patients in from the west side of the hospital. Services provided include multi-specialty clinics, outpatient surgery, and physical therapy programs.

After evaluating various financing structures, it was determined that the MOB would be constructed with funds secured through a Credit Tenant Lease (CTL). CTL loans are credit-based debt instruments that provide fully amortizing loans that are coterminous with a tenant’s lease. This unique and extremely complex financing vehicle provides tenants with investment grade credit, the ability to finance the entire cost of a new facility through a “rent-to-own” structure. CTL financing offers options for both monetizing existing assets and capitalizing build to suits.

In April 2017, TCC successfully completed entitlements, finalized negotiations on the ground lease and facilities lease, and secured the CTL loan for the County of Riverside. Construction of the 200,000 SF MOB facility is slated to commence later this year, with completion projected for 4Q 2019.

SECTION 2. ADDITIONAL QUESTIONS

A. PROVIDE ANY COMMENTS, OBSERVATIONS OR SUGGESTIONS WHICH MAY ASSIST CALOPTIMA IN DRAFTING A PROCUREMENT SOLICITATION.

TCC has vast experience working with numerous public agencies throughout the RFP and ultimately the development process. As a result, some of the fundamental elements that we have identified and recommend which will allow for the smoothest and most efficient procurement process include:

1. Provide a central point of contact for the decision making team. A clear line of communication will simplify and expedite the procurement and negotiation process.
2. Be prepared with a streamlined decision making process. As outlined below, the entire development process will take two or more years to complete. In order to capitalize on the in-place entitlements and current market demand, CalOptima and the new buyer will need to be ready to move quickly and efficiently.
3. If possible, be prepared to further define CalOptima's future space requirements prior to issuance of the RFP. Quantifying the square footage required reduces risk by providing greater certainty for the developer and could expedite the overall development process.
4. Evaluate the overall quality of the developer as part of the offer. In addition to the basic terms of the proposal, CalOptima's consideration should include not only track record, experience, and capitalization, but also the reputation and culture. At a minimum, CalOptima will be neighboring the new building, and could potentially occupy space in the new project. As such, a collaborative buyer and potential partner will be a critical element in the next phase of the project.

B. PLEASE PROVIDE A BRIEF SUMMARY OF HOW YOU MIGHT ENVISION THE TRANSACTION STRUCTURES THAT YOUR FIRM WOULD PROPOSE.

As outlined in the above case studies, TCC has the capability to finance and develop premier office space under various deal structures and can offer a range of financing structures. Our team is equally well suited for traditional joint venture relationships with institutional capital partners, as well as collaborative partnerships with governmental and public agencies. We have substantial experience with and are open to various deal structures. While each arrangement is ultimately market driven, we focus on how we can assist and deliver results to our clients.

1. **Direct Fee Purchase:** CalOptima may consider a direct fee purchase of the Excess Land and associated entitlements. Respondent's proposal for this approach must include estimates of proposed purchase price, transaction timing, and other general provisions of Respondent's proposal.

While TCC anticipates fair market value for the land and associated entitlements, additional aspects of the project would need to be further understood before pricing could be determined. TCC is highly interested and prepared to pursue this asset, but will require additional information relating to status of entitlements, CC&R's, off-sites, subdivision process, reciprocal parking agreements, exactions, and plan check and permit fees. Additionally, CalOptima's future requirements for space or options on space could have an impact on what would be determined to be fair market value.

2. **Ground Lease/Participating Ground Lease:** CalOptima may consider a ground lease of the Excess Land. In the case of a ground lease, or participating ground lease proposal, the Offeror should include an estimated initial base rent, lease term and lease payment commencement, proposed escalation, ground lease term, subordination (an unsubordinated ground lease is strongly preferred), and other general terms of the ground lease/participating ground lease. In the event Offeror proposes a participating ground lease, Offeror's proposal should include minimum rent, percentage participating, formula and basis for participation as well as the other terms addressed in the fixed ground lease proposal.

While Trammell Crow Company's Newport Beach Business Unit has extensive experience with ground leases, it is not our preferred deal structure. However, we have a thorough understanding of the process, including the unique nuances of underwriting and structuring of ground lease documents. In the eyes of the ownership and investment community, the ground lease is generally considered to be an inferior structure to fee simple ownership. As such, the terms of the ground lease would need to reflect this discount in valuation.

Under a ground lease scenario, the rent or rate of return to CalOptima as the ground lessor will be largely dependent upon the requirement as a tenant. In order to appropriately propose pricing, TCC will need to further understand whether the existing building would be included, and if so, the physical condition and CalOptima's intended occupancy duration of the existing building, as well as any potential future space and timing needs within the new building.

3. **Joint Venture:** While a joint venture between a private-sector entity and a public agency does present its challenges, CalOptima wants to remain flexible with regard to potential transaction structures that may enhance cash flow, flexibility and overall economic benefit for the agency. Respondents proposing a joint venture structure should address joint venture structure preferential rates of return, capital contribution values, distribution priorities and capital risk exposure. Please keep in mind that CalOptima will require that its equity value be in first priority and not subject to foreclosure risk.

TCC has completed Joint Ventures in various forms with public and governmental agencies, as well as traditional partnerships with institutional investors. In order to best structure an agreement with any partner, in depth conversations must take place in order to communicate, understand, and agree upon an overall investment strategy. In order to propose the most appropriate deal structure, TCC would request the opportunity to discuss CalOptima's appetite for risk, return expectations, equity and debt contributions, investment duration, and potential occupancy needs within the to-be-built building.

By determining CalOptima's future needs, TCC can establish a clear and strategic go forward strategy that will maximize the value of the property, as well as provide or arrange for a variety of financing vehicles which will provide ultimate flexibility for both parties.

4. **Potential Trade:** As part of its mandated healthcare delivery mission for the residents of Orange County, CalOptima anticipates that its staffing levels may continue to increase over the coming years. While CalOptima does not occupy all of the current building, it anticipates that as a space in the building is recaptured, its space needs may exceed the capacity of the current building. As such, acquisition of a nearby, preferably, adjacent building may be of interest to CalOptima. Respondents that currently own a nearby building may want to consider proposing a trade of the Excess Land for such a building. Respondents considering this approach should address: the location and physical condition of the trade property, any existing leases or other restrictions on occupancy, building condition, and terms of trade.

TCC is open to exploring trade opportunities following further discussion and understanding of CalOptima's needs and requirements.

C. IF POSSIBLE, PLEASE PROVIDE PRELIMINARY ECONOMIC RESULTS OF HOW YOU MIGHT SEE A TRANSACTION BEING STRUCTURED.

As previously discussed, TCC is open to and will entertain various types of structures. However, returns will be predicated upon market forces, as well as a number of economic factors which will need to be further discussed as a partnership or buyer/seller relationship progresses. As a potential occupant of the to-be-built building, the needs of CalOptima will be a primary driver in how best to structure a deal and potential profitability. TCC brings substantial experience and expertise in the development process, as well as deal structure creativity and capital relationships which provide for ultimate flexibility in delivering a variety of finance vehicles, including traditional equity and debt joint ventures, tax exempt bond financing, Credit Tenant Leases (CTL), or synthetic leases, among others. TCC will be better suited to address profitability for both parties after assessing CalOptima's needs as both a tenant and investor.

D. PLEASE PROVIDE A POTENTIAL TIMELINE FOR ANY OF THE STRUCTURES THAT YOU BELIEVE MIGHT BE APPROPRIATE FOR YOUR FIRM.

Following the April 21st receipt of the RFI responses CalOptima will need to read, evaluate, and interview the respondents. By allowing 30 to 45 days for that process, TCC would estimate a June 2017 commencement and the following approximate timelines if an RFP was deemed necessary.

- a) RFP – 60 to 90 days
- b) PSA / JV document – 30 days
- c) Escrow – 60 to 90 days
- d) Design – 10 to 12 months
- e) Construction – 14 to 18 months
- f) Lease Up of non-CalOptima space – TBD subject to determining CalOptima expansion requirement – 0 to 24 months

E. PLEASE OUTLINE THE OBLIGATIONS THAT YOUR FIRM WOULD REQUEST OF CALOPTIMA AS PART OF ANY TRANSACTION STRUCTURE.

As a potential partner or purchaser of the property, TCC would request from CalOptima, the following obligation and information:

- Exclusive right to negotiate
- Further understanding of CalOptima's timing expectations for identifying future expansion needs
- Further understanding of CalOptima's preferred deal structure
- Further understanding of CalOptima's experience and history as both a Joint Venture Partner or Ground Lessor

TESTIMONIALS

Trammell Crow Company



"Trammell Crow Company's teamwork atmosphere and leadership in the development process has led to a highly successful project for all parties concerned."

"Trammell Crow Company is a great partner, and we look forward to continuing our relationship."

"Their expertise in development management and their knowledge of the university's and the state's approval process greatly aided the project team in successfully completing these two projects in a timely manner; allowing SCE to move personnel into the facilities ahead of all expectations. Their guidance and counsel to the project team was invaluable. All personnel associated with the project were both helpful and professional in all aspects."



City of
Alhambra

"Trammell Crow Company team leadership capabilities and knowledge of development has created an effective relationship with City Staff and a proactive approach to the development which has yielded an outstanding project that will enhance the City Central Business District for years to come. Trammell Crow Company continues to be a reliable partner, one that meets their obligations and commitments to the community."

"The Cal Poly Pomona Foundation highly recommends the Trammell Crow Company as a developer. We are very pleased to be partnering with them now, and we look forward to future partnerships."



"The Community Development Commission of the County of Los Angeles wishes to express its appreciation to the Trammell Crow Company... "

"Trammell Crow Company's excellence as a developer is second to none. The firm meets its commitments."

Trammell Crow Company

**3501 Jamboree Road, Suite 230
Newport Beach, CA 92660
(949) 477-4700**

www.trammellcrow.com

State of California

WELFARE AND INSTITUTIONS CODE

Section 14087.54

14087.54. (a) Any county or counties may establish a special commission in order to meet the problems of the delivery of publicly assisted medical care in the county or counties and to demonstrate ways of promoting quality care and cost efficiency.

(b) (1) A county board of supervisors may, by ordinance, establish a commission to negotiate the exclusive contract specified in Section 14087.5 and to arrange for the provision of health care services provided pursuant to this chapter. The boards of supervisors of more than one county may also establish a single commission with the authority to negotiate an exclusive contract and to arrange for the provision of services in those counties. If a board of supervisors elects to enact this ordinance, all rights, powers, duties, privileges, and immunities vested in a county by this article shall be vested in the county commission. Any reference in this article to “county” shall mean a commission established pursuant to this section.

(2) A commission operating pursuant to this section may also enter into contracts for the provision of health care services to persons who are eligible to receive medical benefits under any publicly supported program, if the commission and participating providers acting pursuant to subcontracts with the commission agree to hold harmless the beneficiaries of the publicly supported programs if the contract between the sponsoring government agency and the commission does not ensure sufficient funding to cover program costs. The commission shall not use any payments or reserves from the Medi-Cal program for this purpose.

(3) In addition to the authority specified in paragraph (1), the board of supervisors may, by ordinance, authorize the commission established pursuant to this section to provide health care delivery systems for any or all of the following persons:

(A) Persons who are eligible to receive medical benefits under both Title 18 of the federal Social Security Act (42 U.S.C. Sec. 1395 et seq.) and Title 19 of the federal Social Security Act (42 U.S.C. Sec. 1396 et seq.).

(B) Persons who are eligible to receive medical benefits under Title 18 of the federal Social Security Act (42 U.S.C. Sec. 1395).

(C) Other individuals or groups in the service area, including, but not limited to, public agencies, private businesses, and uninsured or indigent persons. The commission shall not use any payment or reserve from the Medi-Cal program for purposes of this subparagraph.

(4) Nothing in this section shall prohibit a commission established pursuant to this section from providing services pursuant to subparagraph (C) of paragraph (3) in counties other than the commission’s county if the commission is approved by the Department of Managed Health Care to provide services in those counties. The

commission shall not use any payment or reserve from the Medi-Cal program for purposes of this paragraph.

(5) For purposes of providing services to persons described in subparagraph (A) or (B) of paragraph (3), if the commission seeks a contract with the federal Centers for Medicare and Medicaid Services to provide Medicare services as a Medicare Advantage program, the commission shall first obtain a license under the Knox-Keene Health Care Service Plan Act (Chapter 2.2 (commencing with Section 1340) of Division 2 of the Health and Safety Code).

(6) With respect to the provision of services for persons described in subparagraph (A) or (B) of paragraph (3), the commission shall conform to applicable state licensing and freedom of choice requirements as directed by the federal Centers for Medicare and Medicaid Services.

(7) Any material, provided to a person described in subparagraph (A) or (B) of paragraph (3) who is dually eligible to receive medical benefits under both the Medi-Cal program and the Medicare Program, regarding the enrollment or availability of enrollment in Medicare services established by the commission shall include notice of all of the following information in the following format:

(A) Medi-Cal eligibility will not be lost or otherwise affected if the person does not enroll in the plan for Medicare benefits.

(B) The person is not required to enroll in the Medicare plan to be eligible for Medicare benefits.

(C) The person may have other choices for Medicare coverage and for further assistance may contact the federal Centers for Medicare and Medicaid Services (CMS) at 1-800-MEDICARE or www.Medicare.gov.

(D) The notice shall be in plain language, prominently displayed, and translated into any language other than English that the commission is required to use in communicating with Medi-Cal beneficiaries.

(c) It is the intent of the Legislature that if a county forms a commission pursuant to this section, the county shall, with respect to its medical facilities and programs occupy no greater or lesser status than any other health care provider in negotiating with the commission for contracts to provide health care services.

(d) The enabling ordinance shall specify the membership of the county commission, the qualifications for individual members, the manner of appointment, selection, or removal of commissioners, and how long they shall serve, and any other matters as a board of supervisors deems necessary or convenient for the conduct of the county commission's activities. A commission so established shall be considered an entity separate from the county or counties, shall be considered a public entity for purposes of Division 3.6 (commencing with Section 810) of Title 1 of the Government Code, and shall file the statement required by Section 53051 of the Government Code. The commission shall have in addition to the rights, powers, duties, privileges, and immunities previously conferred, the power to acquire, possess, and dispose of real or personal property, as may be necessary for the performance of its functions, to employ personnel and contract for services required to meet its obligations, to sue or be sued, and to enter into agreements under Chapter 5 (commencing with Section

6500) of Division 7 of Title 1 of the Government Code. Any obligations of a commission, statutory, contractual, or otherwise, shall be the obligations solely of the commission and shall not be the obligations of the county or of the state.

(e) Upon creation, a commission may borrow from the county or counties, and the county or counties may lend the commission funds, or issue revenue anticipation notes to obtain those funds necessary to commence operations.

(f) In the event a commission may no longer function for the purposes for which it was established, at the time that the commission's then existing obligations have been satisfied or the commission's assets have been exhausted, the board or boards of supervisors may by ordinance terminate the commission.

(g) Prior to the termination of a commission, the board or boards of supervisors shall notify the State Department of Health Care Services of its intent to terminate the commission. The department shall conduct an audit of the commission's records within 30 days of the notification to determine the liabilities and assets of the commission. The department shall report its findings to the board or boards within 10 days of completion of the audit. The board or boards shall prepare a plan to liquidate or otherwise dispose of the assets of the commission and to pay the liabilities of the commission to the extent of the commission's assets, and present the plan to the department within 30 days upon receipt of these findings.

(h) Upon termination of a commission by the board or boards, the county or counties shall manage any remaining assets of the commission until superseded by a department approved plan. Any liabilities of the commission shall not become obligations of the county or counties upon either the termination of the commission or the liquidation or disposition of the commission's remaining assets.

(i) Any assets of a commission shall be disposed of pursuant to provisions contained in the contract entered into between the state and the commission pursuant to this article.

(j) Nothing in this section shall be construed to supersede Section 14093.06 or 14094.3.

(Amended by Stats. 2007, Ch. 483, Sec. 51. Effective January 1, 2008.)

CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken September 19, 2019 Regular Meeting of the CalOptima Board of Directors' Finance and Audit Committee

Report Item

7. Consider Recommending Board of Directors' Authorization of Expenditures in the CalOptima Fiscal Year 2019-20 Operating and Capital Budgets for Various Information Services Items

Contact

Len Rosignoli, Chief Information Officer, (714) 246-8400

Recommended Actions

Recommend that the Board of Directors authorize unbudgeted:

- 1) Capital expenditures in an amount not to exceed \$390,000 from existing reserves for the following:
 - a) An increase of up to \$200,000 for Infrastructure-Security-Professional Fees, and an increase of up to \$120,000 for Infrastructure-Security-Hardware to fund the Data Masking project; and
 - b) An increase of up to \$70,000 for Infrastructure-Network-Hardware to fund the RightFax tool upgrade.
- 2) Operating expenditures within the Medi-Cal program administrative expenses category in an amount not to exceed ~~\$553,000~~ \$393,000 from existing reserves for the following:
 - a) ~~An increase of up to \$160,000 for Other Operating Expenses-Software Maintenance for royalty fees for use of the American Medical Association codes from Optum;~~
 - b) An increase of up to \$75,000 for Other Operating Expenses-Software Maintenance to fund an upgrade to the Contract Manager system from Change Healthcare;
 - c) An increase of up to \$300,000 for Professional Fees for Medical Affairs/Information Services consulting; and
 - d) An increase of \$18,000 for Other Operating Expenses-Software Maintenance to support an upgrade to CalOptima's help desk tool, uGovernIT.

Rev.
9/19/19

Background/Discussion

The recommended budget adjustments for various items included within the Information Services Fiscal Year (FY) 2019-20 Operating and Capital budgets as summarized below.

1. Capital Expenditures

- a. Data Masking. Data Masking is a critical addition to CalOptima's security infrastructure. Data Masking will begin with static data masking (i.e., the ability to consistently mask Protected Health Information (PHI) within databases). When any copy of production data is made for testing purposes, the PHI within that database will be masked. For example, a last name may be modified to appear as "J*****n" rather than "Johnson," or scrambled (e.g., "Nsohjon," etc.). This will further protect member data and minimize the possibility of unauthorized internal and external exposure.

This Capital project was planned two years ago and an estimate of the software cost at \$320,000 was included in and approved with the FY2017-18 Capital budget. A Request

For Proposal process was completed and a tool was selected (Informatica) in early 2019. The cost of the software was less than anticipated and covered by the original Capital budget. However, hardware and professional fees were needed in addition to the software. Professional fees are needed to enlist the support of the vendor during implementation and initial usage. An amount of up to \$200,000 is requested for Capital Professional Fees as well as \$120,000 for Capital Hardware for this project.

- b. RightFax Tool. RightFax is the tool used to electronically send and receive faxes to business partners. This software tool is undergoing an upgrade during the current fiscal year. Although the upgrade was planned, and had no cost beyond labor, it was unforeseen that the upgrade to the software would also require an upgrade to the hardware. This request is to allocate a Capital Hardware budget increase in the amount of \$70,000.

2. Operating Expenditures

- a. ~~AMA Codes for Optum. Annually, health plans must pay royalty fees to use code standards for diagnoses and procedures, etc., as defined and provided by the American Medical Association (AMA). A moderate increase in cost due to bringing Behavioral Health services in house was overlooked along with significant and unanticipated industry wide royalty increases. While approximately \$18,000 was initially budgeted for this expenditure, this request is to allocate the expected increase of \$160,000 annually, beginning with FY 2019-20. This was not budgeted.~~
- b. Contract Manager. Contract Manager is CalOptima's software solution for the management of provider contracts. As part of an upcoming upgrade, CalOptima would like to add the module known as Courier to enable electronic routing, collaboration, editing, and electronic signature of provider contracts. This requested addition to budget is to cover the cost of the additional module and the licensing for the secure electronic signatures in the amount of \$75,000.
- c. Consulting. Consulting services are needed to support various initiatives involving Medical Affairs and the use of the various underlying information systems. The consultant will provide support for CalOptima's Care Management solution and the provider data involved with the authorization and referral process, supporting the goal of improving our members' experience and minimizing grievances. The cost of this consultant is not budgeted and is requested for support up to \$300,000.
- d. uGovernIT. uGovernIT is CalOptima's service desk, or help desk, tool. An upgrade to this tool was unexpected and requires an update to the hardware architecture to improve both performance and user experience. The request is for \$18,000 to cover this additional funding that was not budgeted.

Rev.
9/19/19

Fiscal Impact

The recommended actions to authorize operating expenditures within the Medi-Cal program administrative expense category in an amount not to exceed \$553,000 is unbudgeted. As proposed, an allocation of up to ~~\$553,000~~ \$393,000 from existing reserves will fund this action.

Rev.
9/19/19

The recommended actions to authorize capital expenditures in an amount not to exceed \$390,000 for infrastructure capital projects is unbudgeted. A proposed allocation of up to \$390,000 from existing reserves will fund this action.

Rationale for Recommendation

To ensure that the referenced elements of CalOptima IT infrastructure remain fully functional, management recommends the proposed unbudgeted operating and capital expenditures.

Concurrence

Gary Crockett, Chief Counsel

Attachment

None

/s/ Michael Schrader
Authorized Signature

9/12/2019
Date

CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken September 19, 2019 **Regular Meeting of the CalOptima Board of Directors'** **Finance and Audit Committee**

Report Item

8. Consider Recommending that the Board of Directors' Authorize Employee and Retiree Group Health Insurance and Wellness Benefits for Calendar Year (CY) 2020

Contact

Brigette Gibb, Executive Director, Human Resources (714) 246-8400

Recommended Actions

Recommend that the Board of Directors:

1. Authorize the Chief Executive Officer (CEO), with the assistance of Legal Counsel, to enter into contracts and/or amendments to existing contracts, as necessary, to continue to provide group health insurance, including medical, dental, and vision for CalOptima employees and retirees (and their dependents), and basic life, accidental death and dismemberment, short-term disability (STD) and long-term disability (LTD) insurance, an employee assistance program, and flexible spending accounts for CY 2020 in an amount not to exceed \$21.5 million which includes:
 - a. An increase to employer contributions (based on the percentage of premium the employer pays for each plan), to absorb a portion of the gross 8% increase to premium rates, increasing costs to CalOptima for CY 2020 of an amount of \$1,605,723;
 - b. Eliminating the Cigna PPO medical plan for active employees and early retirees living in California and restricting enrollment of the Cigna PPO medical plan to eligible early retirees and active employees who reside outside of California;
 - c. A decrease in employer contributions at each tier level for the Kaiser HMO medical plan to cover less of the premium costs;
 - d. A change in Retiree health benefits for Medicare eligible Retirees and Dependents with AmWins, which will include an increase to employer contributions (based on the percentage of premium the employer pays for the Cigna PPO plan) to absorb a portion of the increase to premium rates in an estimated amount of \$24,393;
 - e. A continuation of employer contributions for CY 2020 in an estimated amount of \$168,750 to fully fund the Health Savings Accounts on January 1, 2020 for employees or retirees currently enrolled in the Cigna High Deductible Health Plan (HDHP) to help ease the transition related to the elimination of the Cigna PPO plan for active employees and retirees living in California (item 1.b. above);
 - f. An increase to employer contributions for Cigna dental premiums of 2.5% or \$36,986. The addition of adult orthodontia coverage to the Cigna PPO dental plan at no additional cost to CalOptima; and
 - g. An increase in Short Term Disability (STD) coverage at a cost of \$100,107 to align this benefit with the California State Disability Insurance (SDI) benefit, which provides disability benefits of up to a maximum of 70% of income.
2. Authorize the receipt and expenditures for CalOptima staff wellness programs from \$20,000 funding received from Cigna HealthCare (Cigna) Wellness/Health Improvement Fund for CY 2020.

3. Authorize the continuation of a Spousal Surcharge of \$50 per pay period (for 24 pay periods), to continue from year to year, unless amended by the Board of Directors, for those employees/retirees whose spouses or Registered Domestic Partners: (a) have access to other medical plans through their own employers or other sources, but choose to be enrolled under the CalOptima plan; or (b) are enrolled in their own medical plan, and elect to also enroll under the CalOptima plan.
4. Authorize a semi-monthly \$100 stipend, to continue from year to year, unless amended by the Board of Directors, in lieu of medical benefits as an incentive and cost saving measure for employees who have medical coverage outside of CalOptima

Background

California Government Code section 53201 provides that local public agencies, including CalOptima, have the option of providing health and welfare benefits for the benefit of their officers, employees, and retired employees, who elect to accept the benefits and who authorize the local agencies to deduct the premiums, dues, or other charges from their compensation. Government Code section 53200 provides that health and welfare benefits may include hospital, medical, surgical, dental, disability, group life, legal expense, and income protection insurance or benefits. While CalOptima previously contracted with the California Public Employees Retirement System (CalPERS) to provide these benefits, on August 5, 2003, the Board approved the cancellation of CalOptima’s contract with CalPERS for employee health insurance coverage effective January 1, 2004 and opted to contract directly with Aetna and Kaiser for plan year 2004. CalOptima has offered such benefits from commercial insurers since that time. CalOptima has been purchasing group health insurance through Relation Insurance Services (formally Ascension), an insurance broker, since 2014 on a year-to-year basis. CalOptima currently contracts with both Kaiser and Cigna to provide group health insurance coverage for all benefited employees. CalOptima more recently began contracting with AmWins to provide Medicare supplemental coverage for qualifying Medicare eligible retirees and their dependents.

By statute, the Board may authorize payment of all, or such portion as it may elect, of premiums for these health and welfare benefits. CalOptima currently pays a portion of the premiums for health and welfare benefits for officers, employees, and eligible retired employees, as well as their eligible dependents. In plan year 2015, there was no increase to the employee contributions because CalOptima received a rate decrease, which in effect decreased CalOptima’s contributions towards the premiums. In plan year 2016, there was an increase in premium rates, wherein CalOptima shared in the costs of premium rate increases, paying a small portion and passing along the remaining increase to employees, averaging roughly 3% to 4% to employee contributions for Kaiser HMO, Cigna HMO, Cigna HDHP, Cigna PPO and Cigna Dental PPO. In plan year 2017, there was an increase in premium rates, wherein CalOptima absorbed the 2.3% or \$321,608 costs of premium rate increases. In plan year 2018, there was an increase in premium rates averaging roughly 10%, wherein employees shared in the costs of premium rate increases. In plan year 2019, there was an increase in premium rates, wherein CalOptima absorbed the 0.8% increase or \$145,047 costs of premium rate increases.

Discussion

On behalf of CalOptima, Relation Insurance Services negotiated for the renewal of CalOptima’s health and welfare benefits which resulted in a gross increase of 8% or \$1,605,723 for CY 2020. Based on the recommendations below, CalOptima’s share of the total group health and welfare benefits package will

result in an annual net increase of 7.2% or \$1,301,756 for CY 2020, with CalOptima’s share of the premiums totaling approximately \$19,423,620. The proposed premium increase falls below the regional average increase range of 9% to 12%. The recommended changes are summarized below:

Benefit	CY 2019	CY 2020	Difference
Medical	\$17,380,027	\$18,905,325	\$1,525,298
Wellness Activities	\$20,000	\$20,000	\$0
Dental Insurance	\$1,477,536	\$1,514,523	\$36,986
Vision Insurance	\$196,790	\$191,060	(\$5,730)
Basic Life and Accidental Death & Dismemberment (AD&D) Insurance	\$70,577	\$47,868	(\$22,709)
STD Insurance	\$459,080	\$559,187	\$100,107
LTD Insurance	\$242,776	\$218,498	(\$24,278)
Employee Assistance	\$38,562	\$34,611	(\$3,951)
Flexible Spending	\$34,305	\$34,305	\$0
Medical Stipend	\$292,800	\$292,800	\$0
Total	\$20,212,453	\$21,818,177	\$1,605,723
CalOptima’s Share	\$18,121,864	\$19,423,620	\$1,301,756
Employees’ Share	\$1,846,189	(\$2,150,156)	\$303,967
Spousal Surcharge	(\$224,400)	(\$224,400)	\$0
Cigna Wellness Funding	\$20,000	(\$20,000)	\$0

Please find below additional details by benefit plan for CY 2020 in Attachment A.

Medical

Cigna: Relation negotiated the initial increase down from roughly 15% to a proposed 7.0% increase for active employees/eligible retirees. As was noted last year, HR is now requesting the elimination of the more expensive PPO plan in CY 2020 for active employees and retirees residing in California. Due to limitations associated with out-of-state coverage, Staff is requesting authorization to restrict enrollment in the Cigna PPO plan for active employees and retirees (who are not yet eligible for Medicare) living outside of California.

Kaiser: Relation negotiated the initial increase down from 15% to a proposed increase of 13% for active employees/retirees. Staff recommends sharing the rate increase with employees/retirees by increasing the employee/retiree contributions from the current average of 8% to a total flat contribution rate of 10%, thereby increasing employee contributions in the total amount of \$304,721. With the Kaiser HMO plan having lower co-pays and some additional benefits not available with the Cigna HMO plan, the increase in premium for Kaiser will help align the employee and retiree contributions with the benefits.

AmWins PPO: AmWINS provides PPO Supplemental coverage to Medicare-eligible retirees and dependents. In the past few years, CalOptima elected a Medicare supplemental coverage option that may have been confusing for some retirees, with a \$300 deductible, and then thereafter, the retiree was responsible for a 4% coinsurance amount on Medicare Part B expenses, up to a maximum of \$1,500. To

simplify the benefit for retirees, Staff recommends changing the Medicare supplemental coverage for Part B to a different benefit option that would include a calendar year deductible of \$185, where this would be the only out-of-pocket expense. The approximate cost increase to change the coverage benefit is \$24,393.

Wellness Funding: Cigna provides a Wellness/Health Improvement Fund to assist in improving the health and productivity of CalOptima’s employees, focusing on behavior change and health status improvement, and creating a health and wellness program strategy leading toward a culture of well-being. Each year, Cigna informs CalOptima of the amount of funds offered for the upcoming calendar year, and for CY 2020, the provided amount is \$20,000. Cigna has specific guidelines regarding the types of events the Wellness/Health Improvement Fund can be used towards. The funds may be used to reimburse CalOptima for employee health and wellness program expenses, including but not limited to gym discount sponsorships, educational workshops, and employee wellness activities. Cigna also has specific guidelines by which proposed activities are approved and submitted for reimbursement.

For CY 2020, the proposed wellness activities recommended include:

2020 Wellness Program/Event/Activity	Estimated Cost
Wellness Programs (Walk Across America, Pick Your Challenge)	\$5,000.00
Wellness Month (Wellness fair and activities)	\$9,000.00
Customer Service Week (massage therapy)	\$3,000.00
Health Education/Wellness Incentives	\$3,000.00
Total	\$20,000.00

Dental

Cigna Dental: Relation negotiated an overall 2.5% or \$36,986 increase to premiums for both CalOptima and employees/eligible retirees. Cigna has also proposed adding adult orthodontia benefit of up to \$1,500 per lifetime for the PPO plan to mirror the HMO plan coverage at no added cost. Staff recommends that CalOptima absorb the overall increase in premiums for dental coverage as well as add the adult orthodontia benefit for the PPO plan at no additional cost.

Vision

VSP: The renewal came in at a decrease of -2.9% or \$5,730 in savings for active employees/eligible retirees. Staff recommends maintaining the current rate contribution for employees/retirees, with CalOptima absorbing the savings.

Other Ancillary Plans

Cigna Life & Disability:

Basic Life/AD&D – Renewal came in at a decrease of 32.2% or \$22,709 in savings with a 3-year rate guarantee. The Basic/Life/AD&D benefit is one times full-time employees’ annual salary up to a maximum of \$325,000. Staff recommends increasing the maximum amount from \$325,000 to \$400,000 at no additional cost.

Voluntary Life/AD&D: Renewal came at no rate change.

Cigna Short Term Disability (STD): The renewal came in at a decrease of -3.2% or \$14,809 in savings with a 2-year rate guarantee. For an additional \$100,107, Staff recommends increasing the benefit from a maximum of 60% of employees’ income to a maximum of 70% of employees’ income to align with the amount of the disability benefit provided by State Disability Insurance (SDI).

Cigna Long Term Disability (LTD): The renewal came in at a decrease of 10% or \$24,278 in savings with a 3 year rate guarantee.

Employee Assistance Program: The renewal came in at -10.2% or \$3,951 in savings. There is a 3-year rate guarantee.

Health Savings Account

CalOptima offers a Health Savings Account for employees enrolled in the HDHP medical plan. CalOptima first started offering this medical plan in 2014 and funded the Health Savings Account 100% that same year as an incentive for employees to transition to the Cigna HDHP. The Cigna HDHP is more cost effective and offers the same or comparable benefits as the PPO plan CalOptima currently offers. As part of the benefits renewal last year, staff suggested eliminating the more expensive PPO plan in the future. CalOptima currently has less than 35 employees enrolled in the PPO plan. To provide cost savings to CalOptima and encourage employees to select the Cigna Choice Fund medical plans, staff is recommending eliminating the PPO medical plan option for employees and retirees living in the state of California. Due to the limits associated with medical coverage outside of California, staff is recommending keeping the PPO medical plan for out of state employees and/or retirees and restricting enrollment in the PPO plan to out of state (CA) employees and retirees. Currently, there are 2 employees/retirees who are living outside of California. To assist further with a transition period away from the PPO medical plan to the Cigna HDHP medical plan, staff is recommending that CalOptima fund the Health Savings Accounts 100% for CY 2020 on January 1, 2020 for employees who elect the Cigna HDHP medical plan. This will help alleviate the move from the PPO plan to the Cigna HDHP. Even with CalOptima’s funding of the Health Savings Accounts, the anticipated net annual savings for CalOptima is \$147,806 for CY 2020, assuming all employees enrolled in the PPO plan transition to the Cigna HDHP, if eligible.

Spousal Surcharge

For CY 2019, the Board authorized a Spousal Surcharge of \$50 per pay period (for 24 pay periods) for employees whose spouses or Registered Domestic Partners (1) have access to other medical plans through their own employers or other sources, but choose to be enrolled under the CalOptima plan, or (2) are enrolled in their own medical plan, and elect to also enroll under the CalOptima plan. This Spousal Surcharge also applied to retirees. The approximate cost savings is \$224,400. Staff recommends that CalOptima continue to deduct the Spousal Surcharge on an on-going basis, to continue from year to year, unless amended by the Board of Directors, and require that employees submit an attestation substantiating the enrollment of their spouse/Registered Domestic Partner.

Medical Stipend

CalOptima offers a medical stipend of \$100 per pay period (for 24 pay periods) as a cost saving measure to CalOptima and an incentive for employees who have medical coverage outside of CalOptima.

Employees must submit proof of outside coverage in order to be eligible for this benefit. Approximately 187 employees are receiving this benefit for an annual cost of approximately \$292,800. Staff recommends that CalOptima continue to offer this benefit from year to year, unless amended by the Board of Directors.

Employer and Employee Contribution Comparison

CalOptima’s and individual employee’s share of the premiums differ depending on the employee’s elections. As set forth in the attached presentation, employer premium contributions for full time employees range from 78.3% to 94.7% and the premium contributions rates for employees and retirees range from 5.3% to 21.7%. The methodology used to calculate the employer and employee contributions is intended to aid management in attracting and retaining talented employees. CalOptima’s group health benefits insurance are comparable to the County of Orange with an average of 89.6% employer contribution rate for CalOptima’s employee only coverage, in comparison to the County’s 90% employer contribution rate. However, CalOptima’s employer contribution for employees with dependents is higher than the County of Orange at an average of 85.5% employer contribution rate compared to the County’s 75% employer contribution rate.

Staff Recommendations

Staff recommends increasing CalOptima’s contributions to absorb only a portion of the gross 8% increase to premium rates, which will increase costs to CalOptima for CY 2020 in an amount estimated at \$1,301,756. At the same time, the dollar amount employees contribute toward the total premium costs will also increase, but the same percentage of the premium paid by the employee will remain the same from CY 2019, with the exception of employee/retiree contribution for Kaiser. The employee and retirees (eligible for Medicare) contribution rate for Kaiser will increase to a flat 10% (currently average 8%). This recommendation, along with the other recommended actions, are made based on a thorough review by CalOptima’s Human Resources Department to ensure that CalOptima remains competitive with market trends and meets its ongoing obligation to provide a comprehensive benefits package to attract and retain talent.

Fiscal Impact

The fiscal impact for group health insurance policies for CalOptima employees and retirees in CY 2020 is estimated at a total cost not to exceed \$21.5 million. The employer cost to absorb the increased premiums totals \$1,301,756.

The recommended action to provide group health insurance policies for CalOptima employees and retirees for the period of January 1, 2020, through June 30, 2020, and associated anticipated expenditures are budgeted items in the CalOptima Fiscal Year (FY) 2019-20 Operating Budget approved by the Board on June 6, 2019. Management will include funding for group health insurance policies for the period July 1, 2020 through December 31, 2020, in the CalOptima FY 2020-21 Operating Budget.

CalOptima Board Action Agenda Referral
Consider Recommending that the Board of Directors’
Authorize Employee and Retiree Group Health Insurance and
Wellness Benefits for Calendar Year (CY) 2020
Page 7

Concurrence

Gary Crockett, Chief Counsel

Attachment

A. CalOptima Presentation – January 2020 Renewal Meeting

/s/ Michael Schrader
Authorized Signature

9/12/2019
Date



January 2020 Renewal Executive Summary





Recommendation



Renewal Summary

Based on current enrollment, CalOptima's 2020 NET insurance costs will increase by 7.2% or \$1,301,756, which is the cumulative increase for both employer and employee. Below is each medical plan's renewal action:

- ▶ Cigna Medical – Relation negotiated a final no-bid offer that reduced the renewal down to 7.0%; Cigna stated the renewal warranted a mid-teen increase; wellness fund will remain at \$20,000 for 2020
 - CalOptima to eliminate the PPO plan for California employees due to low enrollment; renewal cost assumes all employees enrolled in the PPO will move to the HDHP PPO plan; PPO plan will still be made available to out of state employees (currently 1 early retiree and 1 active employee)
 - Currently 32% participation and carriers require 50% or more alongside Kaiser (last year was 35%)
- ▶ CalOptima to fund 100% of the Health Savings Accounts on 1/1/2020 for anyone enrolled in the Cigna HDHP medical plan; with the PPO being eliminated in California, these employees will move to the HDHP and benefit from 100% funding
- ▶ Kaiser Medical - initial renewal increase was 14.9% (cap); Relation negotiated renewal increase is 13.0%; includes an increase to employee contributions to a flat 10% of premium
- ▶ Cigna Dental – renewal increase is 2.5% for the PPO and DHMO plans. The PPO plan will include orthodontia coverage for adults as of 1/1/2020 at no additional cost
- ▶ VSP Vision – renewal decrease of **-2.9%**
- ▶ Cigna Basic Life/AD&D – initial renewal was a rate pass; Relation negotiated a renewal decrease of **-32.2%** and a 3 year rate guarantee; includes maximum benefit increase to \$400,000
- ▶ Cigna LTD – initial renewal was a rate pass; Relation negotiated a renewal decrease of **-10.0%** and a 3 year rate guarantee
- ▶ Cigna STD – benefit percentage will increase from 60% to 70% with a 2 year rate guarantee; renewal increase for this benefit change is 21.8%
- ▶ ACI EAP – renewal decrease of **-10.2%**
- ▶ WageWorks FSA – renewal pending
- ▶ AmWINS PPO (Medicare Retirees) – final rates pending; estimated renewal increase of 5%; includes a plan change to Plan G to enhance benefits by reducing the annual deductible to \$185 and eliminating the coinsurance where the deductible will be the only out of pocket expense
- ▶ Keep the Benefit Income amount for waivers the same at \$200/month; keep the Spousal Surcharge amount the same at \$100/month



Recommended Total Package Cost

		2019 Current	2020 Cigna HMO/HDHP in CA Cigna PPO Outside CA Only Kaiser Status Quo AmWins Medicare Plan G (estimated) Cigna Dental PPO with \$1,500 Adult Ortho VSP Vision Status Quo Increase Cigna Basic Life/AD&D max for full-time employees to \$400,000 Increase Cigna STD to 70% Cigna LTD Status Quo ACI EAP Status Quo	\$ Change	% Change
All Medical		\$17,380,027	\$18,905,325	\$1,525,298	8.78%
Kaiser HMO Actives	691	\$8,466,941	\$9,563,612	\$1,096,671	12.95%
Kaiser HMO Early Retirees (Pre-65)	6	\$106,264	\$120,044	\$13,780	12.97%
Kaiser HMO Medicare Retirees (Post-65)	20	\$102,451	\$107,418	\$4,967	4.85%
Cigna HMO Actives & Early Retirees (Pre-65)	397	\$6,696,649	\$7,165,659	\$469,011	7.00%
Cigna PPO Actives & Early Retirees (Pre-65)	36	\$781,377	\$40,197	(\$741,179)	-94.86%
Cigna HDHP Actives Only	55	\$895,869	\$1,489,242	\$593,373	66.23%
AmWins PPO Medicare Retirees (Post-65)	30	\$221,258	\$245,651	\$24,393	11.02%
HSA Administration	55	\$2,970	\$4,752	\$1,782	60.00%
HSA Funding (\$1,250 single / \$2,500 with deps)	55	\$106,250	\$168,750	\$62,500	58.82%
Wellness Funding spent by CalOptima		\$20,000	\$20,000	\$0	0.00%
Wellness Funding reimbursement from Cigna		(\$20,000)	(\$20,000)	\$0	0.00%
All Ancillary		\$2,519,626	\$2,600,051	\$80,425	3.19%
Cigna Dental PPO Actives & Retirees	1,003	\$1,362,962	\$1,397,064	\$34,102	2.50%
Cigna Dental HMO Actives & Retirees	310	\$114,574	\$117,459	\$2,884	2.52%
VSP Vision Actives & Retirees	1,316	\$196,790	\$191,060	(\$5,730)	-2.91%
Cigna Basic Employee Life & AD&D	1,295	\$70,577	\$47,868	(\$22,709)	-32.18%
Cigna Short Term Disability	1,295	\$459,080	\$559,187	\$100,107	21.81%
Cigna Long Term Disability	1,295	\$242,776	\$218,498	(\$24,278)	-10.00%
ACI Employee Assistance Program	1,317	\$38,562	\$34,611	(\$3,951)	-10.25%
WageWorks Flexible Spending Accounts	535	\$34,305	\$34,305	\$0	0.00%



Recommended Total Package Cost

CalOptima shares the increase with employees; employee contributions would change as follows:

- Kaiser contributions would increase to 10% due to on a higher level of benefits the Kaiser plan should cost a little more than the Cigna HMO
- Cigna contributions would remain the same percentage as current
- No change to dental or vision contributions

Benefit Income (waivers) - \$200/month	122	\$292,800	\$292,800
Spousal Surcharge - \$100/month	187	(\$224,400)	(\$224,400)
Monthly - Estimated		\$1,664,004	\$1,797,815
Annual - Estimated		\$19,968,053	\$21,573,776
GROSS Differences			
Versus Current - \$			\$1,605,723
Versus Current - %			8.0%
Annual Employee Contributions		\$1,846,189	\$2,150,156
NET Annual -Estimated (Employer - EE Contribs)		\$18,121,864	\$19,423,620
NET Differences (Employer - EE Contribs)			
Versus Current - \$			\$1,301,756
Versus Current - %			7.2%



Recommended Employee Contributions

CalOptima shares the increase with employees; employee contributions would change as follows:

- Kaiser contributions would increase to 10% due to on a higher level of benefits the Kaiser plan should cost a little more than the Cigna HMO
- Cigna contributions would remain the same percentage as current

Medical for Full-Time Actives and Early Retirees

2019 Employer vs. Employee Contributions

FULL TIME ACTIVES & EARLY RETIREES	Enrollment	2019 RATES	EE Contributions	EE Contribution % of Premium	CalOptima Contributions	CalOptima % of Premium
Actives & Early Retirees Cigna HMO						
Employee	120	\$659.47	\$34.98	5.3%	\$624.49	94.7%
Employee + One	46	\$1,443.08	\$88.29	6.1%	\$1,354.79	93.9%
Employee + Child(ren)	84	\$1,303.43	\$79.75	6.1%	\$1,223.68	93.9%
Employee + Family	147	<u>\$2,061.55</u>	<u>\$127.81</u>	6.2%	<u>\$1,933.74</u>	93.8%
MONTHLY TOTAL	397	\$558,054	\$33,746		\$524,308	
Actives & Early Retirees Cigna PPO						
Employee	18	\$1,057.81	\$187.02	17.7%	\$870.79	82.3%
Employee + One	7	\$2,291.60	\$445.30	19.4%	\$1,846.30	80.6%
Employee + Child(ren)	5	\$2,072.70	\$402.76	19.4%	\$1,669.94	80.6%
Employee + Family	6	<u>\$3,278.24</u>	<u>\$667.98</u>	20.4%	<u>\$2,610.26</u>	79.6%
MONTHLY TOTAL	36	\$65,115	\$12,505		\$52,610	
Actives Cigna HDHP						
Employee	25	\$801.37	\$102.13	12.7%	\$699.24	87.3%
Employee + One	11	\$1,609.35	\$275.52	17.1%	\$1,333.83	82.9%
Employee + Child(ren)	8	\$1,453.61	\$248.86	17.1%	\$1,204.75	82.9%
Employee + Family	11	<u>\$2,299.07</u>	<u>\$498.18</u>	21.7%	<u>\$1,800.89</u>	78.3%
MONTHLY TOTAL	55	\$74,656	\$13,055		\$61,601	
Actives Kaiser HMO						
Employee	259	\$518.54	\$34.98	6.7%	\$483.56	93.3%
Employee + One	75	\$1,037.08	\$88.29	8.5%	\$948.79	91.5%
Employee + Child(ren)	144	\$985.23	\$79.75	8.1%	\$905.48	91.9%
Employee + Family	211	<u>\$1,659.33</u>	<u>\$127.81</u>	7.7%	<u>\$1,531.52</u>	92.3%
MONTHLY TOTAL	689	\$704,075	\$54,133		\$649,941	
Early Retirees Kaiser HMO						
Employee	3	\$776.78	\$34.98	4.5%	\$741.80	95.5%
Employee + One	1	\$1,553.56	\$88.29	5.7%	\$1,465.27	94.3%
Employee + Child(ren)	0	\$1,475.89	\$79.75	5.4%	\$1,396.14	94.6%
Employee + Family	2	<u>\$2,485.70</u>	<u>\$127.81</u>	5.1%	<u>\$2,357.89</u>	94.9%
MONTHLY TOTAL	6	\$8,855	\$449		\$8,406	

2020 Employer vs. Employee Contributions

FULL TIME ACTIVES & EARLY RETIREES	Enrollment	2020 RATES	EE Contributions	EE Contribution % of Premium	CalOptima Contributions	CalOptima % of Premium	EE Contributions Monthly Increase from Current
Actives & Early Retirees Cigna HMO							
Employee	120	\$705.66	\$37.43	5.3%	\$668.23	94.7%	\$2.45
Employee + Spouse	46	\$1,544.15	\$94.47	6.1%	\$1,449.68	93.9%	\$6.18
Employee + Child(ren)	84	\$1,394.72	\$85.34	6.1%	\$1,309.38	93.9%	\$5.59
Employee + Family	147	<u>\$2,205.93</u>	<u>\$136.76</u>	6.2%	<u>\$2,069.17</u>	93.8%	\$8.95
MONTHLY TOTAL	397	\$597,138	\$36,109		\$561,029		
Early Retirees (Outside CA) Cigna PPO							
Employee	1	\$1,131.90	\$200.12	17.7%	\$931.78	82.3%	\$13.10
Employee + Spouse	0	\$2,452.10	\$476.49	19.4%	\$1,975.61	80.6%	\$31.19
Employee + Child(ren)	1	\$2,217.87	\$430.97	19.4%	\$1,786.90	80.6%	\$28.21
Employee + Family	0	<u>\$3,507.84</u>	<u>\$714.76</u>	20.4%	<u>\$2,793.08</u>	79.6%	\$46.78
MONTHLY TOTAL	2	\$3,350	\$631		\$2,719		
Actives Cigna HDHP							
Employee	41	\$813.26	\$103.65	12.7%	\$709.61	87.3%	\$1.52
Employee + Spouse	18	\$1,707.85	\$292.38	17.1%	\$1,415.47	82.9%	\$16.86
Employee + Child(ren)	12	\$1,545.19	\$264.54	17.1%	\$1,280.65	82.9%	\$15.68
Employee + Family	17	<u>\$2,439.78</u>	<u>\$528.67</u>	21.7%	<u>\$1,911.11</u>	78.3%	\$30.49
MONTHLY TOTAL	88	\$124,104	\$21,674		\$102,429		
Actives Kaiser HMO							
Employee	259	\$585.70	\$58.57	10.0%	\$527.13	90.0%	\$23.59
Employee + Spouse	75	\$1,171.40	\$117.14	10.0%	\$1,054.26	90.0%	\$28.85
Employee + Child(ren)	144	\$1,112.84	\$111.28	10.0%	\$1,001.56	90.0%	\$31.53
Employee + Family	211	<u>\$1,874.26</u>	<u>\$187.43</u>	10.0%	<u>\$1,686.83</u>	<u>90.0%</u>	\$59.62
MONTHLY TOTAL	689	\$795,269	\$79,527		\$715,742		
Early Retirees Kaiser HMO							
Employee	3	\$877.51	\$58.57	6.7%	\$818.94	93.3%	\$23.59
Employee + Spouse	1	\$1,755.02	\$117.14	6.7%	\$1,637.88	93.3%	\$28.85
Employee + Child(ren)	0	\$1,667.27	\$111.28	6.7%	\$1,555.99	93.3%	\$31.53
Employee + Family	2	<u>\$2,808.04</u>	<u>\$187.43</u>	6.7%	<u>\$2,620.61</u>	93.3%	\$59.62
MONTHLY TOTAL	6	\$10,004	\$668		\$9,336		



Recommended Employee Contributions

CalOptima shares the increase with employees; employee contributions would change as follows:

- Kaiser contributions would increase to 10% due to on a higher level of benefits the Kaiser plan should cost a little more than the Cigna HMO
- Cigna contributions would remain the same percentage as current

Medical for Part-Time Actives and Medicare Retirees

2019 Employer vs. Employee Contributions

PART TIME ACTIVES	Enrollment	2019 RATES	EE Contributions	EE Contribution % of Premium	CalOptima Contributions	CalOptima % of Premium
Cigna HMO						
Employee	0	\$659.47	\$69.97	10.6%	\$589.50	89.4%
Employee + One	0	\$1,443.08	\$176.57	12.2%	\$1,266.51	87.8%
Employee + Child(ren)	0	\$1,303.43	\$159.50	12.2%	\$1,143.93	87.8%
Employee + Family	0	<u>\$2,061.55</u>	<u>\$255.63</u>	12.4%	<u>\$1,805.92</u>	87.6%
MONTHLY TOTAL	0	\$0	\$0		\$0	
Cigna PPO						
Employee	0	\$1,057.81	\$374.04	35.4%	\$683.77	64.6%
Employee + One	0	\$2,291.60	\$890.62	38.9%	\$1,400.98	61.1%
Employee + Child(ren)	0	\$2,072.70	\$805.52	38.9%	\$1,267.18	61.1%
Employee + Family	0	<u>\$3,278.24</u>	<u>\$1,335.93</u>	40.8%	<u>\$1,942.31</u>	59.2%
MONTHLY TOTAL	0	\$0	\$0		\$0	
Cigna HDHP						
Employee	0	\$801.37	\$204.25	25.5%	\$597.12	74.5%
Employee + One	0	\$1,609.35	\$551.03	34.2%	\$1,058.32	65.8%
Employee + Child(ren)	0	\$1,453.61	\$497.72	34.2%	\$955.89	65.8%
Employee + Family	0	<u>\$2,299.07</u>	<u>\$996.37</u>	43.3%	<u>\$1,302.70</u>	56.7%
MONTHLY TOTAL	0	\$0	\$0		\$0	
Kaiser HMO						
Employee	1	\$518.54	\$69.97	13.5%	\$448.57	86.5%
Employee + One	0	\$1,037.08	\$176.57	17.0%	\$860.51	83.0%
Employee + Child(ren)	1	\$985.23	\$159.50	16.2%	\$825.73	83.8%
Employee + Family	0	<u>\$1,659.33</u>	<u>\$255.63</u>	15.4%	<u>\$1,403.70</u>	84.6%
MONTHLY TOTAL	2	\$1,504	\$229		\$1,274	
MEDICARE RETIREES	Enrollment	2019 RATES	EE Contributions	EE Contribution % of Premium	CalOptima Contributions	CalOptima % of Premium
Amwins PPO						
Retiree (Medicare)	14	\$400.83	\$70.98	17.7%	\$329.85	82.3%
Retiree + 1 (2 Medicare)	16	<u>\$801.66</u>	<u>\$160.95</u>	20.1%	\$640.71	79.9%
MONTHLY TOTAL	30	\$18,438	\$3,569		\$14,869	
Kaiser HMO						
Subscriber with Medicare	8	\$216.72	\$12.85	5.9%	\$203.87	94.1%
Subscriber with Medicare + Spouse with Medicare	9	\$433.44	\$32.42	7.5%	\$401.02	92.5%
Subscriber with Medicare + Spouse without Medicare	2	\$993.50	\$82.35	8.3%	\$911.15	91.7%
Subscriber with Medicare and Children	1	<u>\$915.83</u>	<u>\$135.88</u>	14.8%	<u>\$779.95</u>	85.2%
MONTHLY TOTAL	20	\$8,538	\$695		\$7,842	

2020 Employer vs. Employee Contributions

PART TIME ACTIVES	Enrollment	2020 RATES	EE Contributions	EE Contribution % of Premium	CalOptima Contributions	CalOptima % of Premium	EE Contributions Monthly Increase from Current
Cigna HMO							
Employee	0	\$705.66	\$74.87	10.6%	\$630.79	89.4%	\$4.90
Employee + Spouse	0	\$1,544.15	\$188.94	12.2%	\$1,355.21	87.8%	\$12.37
Employee + Child(ren)	0	\$1,394.72	\$170.67	12.2%	\$1,224.05	87.8%	\$11.17
Employee + Family	0	<u>\$2,205.93</u>	<u>\$273.53</u>	12.4%	<u>\$1,932.40</u>	87.6%	\$17.90
MONTHLY TOTAL	0	\$0	\$0		\$0		
Cigna PPO							
Employee	0	\$1,131.90	\$400.24	35.4%	\$731.66	64.6%	\$26.20
Employee + Spouse	0	\$2,452.10	\$953.00	38.9%	\$1,499.10	61.1%	\$62.38
Employee + Child(ren)	0	\$2,217.87	\$861.94	38.9%	\$1,355.93	61.1%	\$56.42
Employee + Family	0	<u>\$3,507.84</u>	<u>\$1,429.50</u>	40.8%	<u>\$2,078.34</u>	59.2%	\$93.57
MONTHLY TOTAL	0	\$0	\$0		\$0		
Cigna HDHP							
Employee	0	\$813.26	\$207.28	25.5%	\$605.98	74.5%	\$3.03
Employee + Spouse	0	\$1,707.85	\$584.76	34.2%	\$1,123.09	65.8%	\$33.73
Employee + Child(ren)	0	\$1,545.19	\$529.08	34.2%	\$1,016.11	65.8%	\$31.36
Employee + Family	0	<u>\$2,439.78</u>	<u>\$1,057.35</u>	43.3%	<u>\$1,382.43</u>	56.7%	\$60.98
MONTHLY TOTAL	0	\$0	\$0		\$0		
Kaiser HMO							
Employee	1	\$585.70	\$74.87	12.8%	\$510.83	87.2%	\$4.90
Employee + Spouse	0	\$1,171.40	\$188.94	16.1%	\$982.46	83.9%	\$12.37
Employee + Child(ren)	1	\$1,112.84	\$170.67	15.3%	\$942.17	84.7%	\$11.17
Employee + Family	0	<u>\$1,874.26</u>	<u>\$273.53</u>	14.6%	<u>\$1,600.73</u>	85.4%	\$17.90
MONTHLY TOTAL	2	\$1,699	\$246		\$1,453		\$16.07
MEDICARE RETIREES	Enrollment	2020 RATES	EE Contributions	EE Contribution % of Premium	CalOptima Contributions	CalOptima % of Premium	EE Contributions Monthly Increase from Current
Amwins PPO							
Retiree (Medicare)	14	\$445.02	\$78.81	17.7%	\$366.21	82.3%	\$7.83
Retiree + 1 (2 Medicare)	16	<u>\$890.04</u>	<u>\$178.69</u>	20.1%	<u>\$711.35</u>	79.9%	\$17.74
MONTHLY TOTAL	30	\$20,471	\$3,962		\$16,509		
Kaiser HMO							
Subscriber with Medicare	8	\$220.92	\$22.09	10.0%	\$198.83	90.0%	\$9.24
Subscriber with Medicare + Spouse with Medicare	9	\$441.84	\$44.18	10.0%	\$397.66	90.0%	\$11.76
Subscriber with Medicare + Spouse without Medicare	2	\$1,098.43	\$109.84	10.0%	\$988.59	90.0%	\$27.49
Subscriber with Medicare and Children	1	<u>\$1,010.68</u>	<u>\$101.07</u>	10.0%	<u>\$909.61</u>	90.0%	
MONTHLY TOTAL	20	\$8,951	\$895		\$8,056		



Recommended Employee Contributions

No change to dental or vision contributions

Dental and Vision for All

2019 Employer vs. Employee Contributions

FULL TIME DENTAL & VISION	Enrollment	2019 RATES	EE Contributions	EE Contribution % of Premium	CalOptima Contributions	CalOptima % of Premium
Actives & Retirees						
Dental PPO						
Employee	348	\$48.26	\$5.20	10.8%	\$43.06	89.2%
Employee + One	168	\$95.88	\$15.72	16.4%	\$80.16	83.6%
Employee + Child(ren)	158	\$123.18	\$20.20	16.4%	\$102.98	83.6%
Employee + Family	328	<u>\$186.34</u>	<u>\$31.54</u>	16.9%	<u>\$154.80</u>	83.1%
MONTHLY TOTAL	1,002	\$113,484	\$17,987		\$95,497	
Actives & Retirees						
Dental HMO						
Employee	108	\$12.76	\$0.00	0.0%	\$12.76	100.0%
Employee + One	36	\$25.34	\$0.00	0.0%	\$25.34	100.0%
Employee + Child(ren)	55	\$32.56	\$0.00	0.0%	\$32.56	100.0%
Employee + Family	110	<u>\$49.25</u>	<u>\$0.00</u>	0.0%	<u>\$49.25</u>	100.0%
MONTHLY TOTAL	309	\$9,499	\$0		\$9,499	
Actives & Retirees						
VSP Vision						
Employee	498	\$7.37	\$0.00	0.0%	\$7.37	100.0%
Employee + One	189	\$11.45	\$1.00	8.7%	\$10.45	91.3%
Employee + Child(ren)	197	\$11.93	\$1.50	12.6%	\$10.43	87.4%
Employee + Family	429	<u>\$19.06</u>	<u>\$2.00</u>	10.5%	<u>\$17.06</u>	89.5%
MONTHLY TOTAL	1,313	\$16,361	\$1,343		\$15,019	
PART TIME DENTAL & VISION						
Actives						
Dental PPO						
Employee	0	\$48.26	\$10.40	21.5%	\$37.86	78.5%
Employee + One	1	\$95.88	\$31.44	32.8%	\$64.44	67.2%
Employee + Child(ren)	0	\$123.18	\$40.40	32.8%	\$82.78	67.2%
Employee + Family	0	<u>\$186.34</u>	<u>\$63.08</u>	33.9%	<u>\$123.26</u>	66.1%
MONTHLY TOTAL	1	\$96	\$31		\$64	
Actives						
Dental HMO						
Employee	0	\$12.76	\$0.00	0.0%	\$12.76	100.0%
Employee + One	0	\$25.34	\$0.00	0.0%	\$25.34	100.0%
Employee + Child(ren)	0	\$32.56	\$0.00	0.0%	\$32.56	100.0%
Employee + Family	1	<u>\$49.25</u>	<u>\$0.00</u>	0.0%	<u>\$49.25</u>	100.0%
MONTHLY TOTAL	1	\$49	\$0		\$49	
Actives						
VSP Vision						
Employee	1	\$7.37	\$0.00	0.0%	\$7.37	100.0%
Employee + One	1	\$11.45	\$2.00	17.5%	\$9.45	82.5%
Employee + Child(ren)	0	\$11.93	\$3.00	25.1%	\$8.93	74.9%
Employee + Family	1	<u>\$19.06</u>	<u>\$4.00</u>	21.0%	<u>\$15.06</u>	79.0%
MONTHLY TOTAL	3	\$38	\$6		\$32	

2020 Employer vs. Employee Contributions

FULL TIME DENTAL & VISION	Enrollment	2020 RATES	EE Contributions	EE Contribution % of Premium	CalOptima Contributions	CalOptima % of Premium	EE Contributions Monthly Increase from Current
Actives & Retirees							
Dental PPO							
Employee	348	\$49.47	\$5.20	10.5%	\$44.27	89.5%	\$0.00
Employee + Spouse	168	\$98.28	\$15.72	16.0%	\$82.56	84.0%	\$0.00
Employee + Child(ren)	158	\$126.26	\$20.20	16.0%	\$106.06	84.0%	\$0.00
Employee + Family	328	<u>\$191.00</u>	<u>\$31.54</u>	16.5%	<u>\$159.46</u>	83.5%	\$0.00
MONTHLY TOTAL	1002	\$116,324	\$17,987		\$98,336		
Actives & Retirees							
Dental HMO							
Employee	108	\$13.08	\$0.00	0.0%	\$13.08	100.0%	\$0.00
Employee + Spouse	36	\$25.98	\$0.00	0.0%	\$25.98	100.0%	\$0.00
Employee + Child(ren)	55	\$33.38	\$0.00	0.0%	\$33.38	100.0%	\$0.00
Employee + Family	110	<u>\$50.49</u>	<u>\$0.00</u>	0.0%	<u>\$50.49</u>	100.0%	\$0.00
MONTHLY TOTAL	309	\$9,738	\$0		\$9,738		
Actives & Retirees							
VSP Vision							
Employee	498	\$8.14	\$0.00	0.0%	\$8.14	100.0%	\$0.00
Employee + Spouse	189	\$12.65	\$1.00	8.7%	\$11.65	92.1%	\$0.00
Employee + Child(ren)	197	\$13.17	\$1.50	12.6%	\$11.67	88.6%	\$0.00
Employee + Family	429	<u>\$21.08</u>	<u>\$2.00</u>	10.5%	<u>\$19.08</u>	90.5%	\$0.00
MONTHLY TOTAL	1,313	\$18,082	\$1,343		\$16,740		
PART TIME DENTAL & VISION							
Actives							
Dental PPO							
Employee	0	\$49.47	\$10.40	21.0%	\$39.07	79.0%	\$0.00
Employee + Spouse	1	\$98.28	\$31.44	32.0%	\$66.84	68.0%	\$0.00
Employee + Child(ren)	0	\$126.26	\$40.40	32.0%	\$85.86	68.0%	\$0.00
Employee + Family	0	<u>\$191.00</u>	<u>\$63.08</u>	33.0%	<u>\$127.92</u>	67.0%	\$0.00
MONTHLY TOTAL	1	\$98	\$31		\$67		\$0.00
Actives							
Dental HMO							
Employee	0	\$13.08	\$0.00	0.0%	\$13.08	100.0%	\$0.00
Employee + Spouse	0	\$25.98	\$0.00	0.0%	\$25.98	100.0%	\$0.00
Employee + Child(ren)	0	\$33.38	\$0.00	0.0%	\$33.38	100.0%	\$0.00
Employee + Family	1	<u>\$50.49</u>	<u>\$0.00</u>	0.0%	<u>\$50.49</u>	100.0%	\$0.00
MONTHLY TOTAL	1	\$50	\$0		\$50		
Actives							
VSP Vision							
Employee	1	\$8.14	\$0.00	0.0%	\$8.14	100.0%	\$0.00
Employee + Spouse	1	\$12.65	\$2.00	17.5%	\$10.65	84.2%	\$0.00
Employee + Child(ren)	0	\$13.17	\$3.00	25.1%	\$10.17	77.2%	\$0.00
Employee + Family	1	<u>\$21.08</u>	<u>\$4.00</u>	21.0%	<u>\$17.08</u>	81.0%	\$0.00
MONTHLY TOTAL	3	\$42	\$6		\$36		



Option



Total Package Cost

No difference from recommended

		2019 Current	2020 Cigna HMO/HDHP in CA Cigna PPO Outside CA Only Kaiser Status Quo AmWins Medicare Plan G (estimated) Cigna Dental PPO with \$1,500 Adult Ortho VSP Vision Status Quo Increase Cigna Basic Life/AD&D max for full-time employees to \$400,000 Increase Cigna STD to 70% Cigna LTD Status Quo ACI EAP Status Quo	\$ Change	% Change
All Medical		\$17,380,027	\$18,905,325	\$1,525,298	8.78%
Kaiser HMO Actives	691	\$8,466,941	\$9,563,612	\$1,096,671	12.95%
Kaiser HMO Early Retirees (Pre-65)	6	\$106,264	\$120,044	\$13,780	12.97%
Kaiser HMO Medicare Retirees (Post-65)	20	\$102,451	\$107,418	\$4,967	4.85%
Cigna HMO Actives & Early Retirees (Pre-65)	397	\$6,696,649	\$7,165,659	\$469,011	7.00%
Cigna PPO Actives & Early Retirees (Pre-65)	36	\$781,377	\$40,197	(\$741,179)	-94.86%
Cigna HDHP Actives Only	55	\$895,869	\$1,489,242	\$593,373	66.23%
AmWins PPO Medicare Retirees (Post-65)	30	\$221,258	\$245,651	\$24,393	11.02%
HSA Administration	55	\$2,970	\$4,752	\$1,782	60.00%
HSA Funding (\$1,250 single / \$2,500 with deps)	55	\$106,250	\$168,750	\$62,500	58.82%
Wellness Funding spent by CalOptima		\$20,000	\$20,000	\$0	0.00%
Wellness Funding reimbursement from Cigna		(\$20,000)	(\$20,000)	\$0	0.00%
All Ancillary		\$2,519,626	\$2,600,051	\$80,425	3.19%
Cigna Dental PPO Actives & Retirees	1,003	\$1,362,962	\$1,397,064	\$34,102	2.50%
Cigna Dental HMO Actives & Retirees	310	\$114,574	\$117,459	\$2,884	2.52%
VSP Vision Actives & Retirees	1,316	\$196,790	\$191,060	(\$5,730)	-2.91%
Cigna Basic Employee Life & AD&D	1,295	\$70,577	\$47,868	(\$22,709)	-32.18%
Cigna Short Term Disability	1,295	\$459,080	\$559,187	\$100,107	21.81%
Cigna Long Term Disability	1,295	\$242,776	\$218,498	(\$24,278)	-10.00%
ACI Employee Assistance Program	1,317	\$38,562	\$34,611	(\$3,951)	-10.25%
WageWorks Flexible Spending Accounts	535	\$34,305	\$34,305	\$0	0.00%



Total Package Cost – Employee Contribution Option

CalOptima shares the increase with employees; employee contributions are same percentage as current (except for Kaiser, which is the same dollar amount as Cigna HMO) for medical plans only. This is the current employee contribution strategy. Based on current enrollment, CalOptima’s 2020 NET insurance costs for this employee contribution option will increase by 8.6% or \$1,565,625, which is the cumulative increase for both employer and employee; no change to dental and vision contributions

Benefit Income (waivers) - \$200/month	122	\$292,800	\$292,800	
Spousal Surcharge - \$100/month	187	(\$224,400)	(\$224,400)	
Monthly - Estimated		\$1,664,004	\$1,797,815	
Annual - Estimated		\$19,968,053	\$21,573,776	
GROSS Differences				
Versus Current - \$			\$1,605,723	
Versus Current - %			8.0%	
Annual Employee Contributions		\$1,846,189	\$1,886,287	Change from recommended
NET Annual -Estimated (Employer - EE Contribs)		\$18,121,864	\$19,687,489	Change from recommended
NET Differences (Employer - EE Contribs)				
Versus Current - \$			\$1,565,625	Change from recommended
Versus Current - %			8.6%	



Employee Contribution Option

CalOptima shares the increase with employees; employee contributions are same percentage as current (except for Kaiser, which is the same dollar amount as Cigna HMO) for medical plans only. This is the current employee contribution strategy.

Medical for Full-Time Actives and Early Retirees

2019 Employer vs. Employee Contributions

FULL TIME ACTIVES & EARLY RETIREES	Enrollment	2019 RATES	EE Contributions	EE Contribution % of Premium	CalOptima Contributions	CalOptima % of Premium
Actives & Early Retirees						
Cigna HMO						
Employee	120	\$659.47	\$34.98	5.3%	\$624.49	94.7%
Employee + One	46	\$1,443.08	\$88.29	6.1%	\$1,354.79	93.9%
Employee + Child(ren)	84	\$1,303.43	\$79.75	6.1%	\$1,223.68	93.9%
Employee + Family	147	<u>\$2,061.55</u>	<u>\$127.81</u>	6.2%	<u>\$1,933.74</u>	93.8%
MONTHLY TOTAL	397	\$558,054	\$33,746		\$524,308	
Actives & Early Retirees						
Cigna PPO						
Employee	18	\$1,057.81	\$187.02	17.7%	\$870.79	82.3%
Employee + One	7	\$2,291.60	\$445.30	19.4%	\$1,846.30	80.6%
Employee + Child(ren)	5	\$2,072.70	\$402.76	19.4%	\$1,669.94	80.6%
Employee + Family	6	<u>\$3,278.24</u>	<u>\$667.98</u>	20.4%	<u>\$2,610.26</u>	79.6%
MONTHLY TOTAL	36	\$65,115	\$12,505		\$52,610	
Actives						
Cigna HDHP						
Employee	25	\$801.37	\$102.13	12.7%	\$699.24	87.3%
Employee + One	11	\$1,609.35	\$275.52	17.1%	\$1,333.83	82.9%
Employee + Child(ren)	8	\$1,453.61	\$248.86	17.1%	\$1,204.75	82.9%
Employee + Family	11	<u>\$2,299.07</u>	<u>\$498.18</u>	21.7%	<u>\$1,800.89</u>	78.3%
MONTHLY TOTAL	55	\$74,656	\$13,055		\$61,601	
Actives						
Kaiser HMO						
Employee	259	\$518.54	\$34.98	6.7%	\$483.56	93.3%
Employee + One	75	\$1,037.08	\$88.29	8.5%	\$948.79	91.5%
Employee + Child(ren)	144	\$985.23	\$79.75	8.1%	\$905.48	91.9%
Employee + Family	211	<u>\$1,659.33</u>	<u>\$127.81</u>	7.7%	<u>\$1,531.52</u>	92.3%
MONTHLY TOTAL	689	\$704,075	\$54,133		\$649,941	
Early Retirees						
Kaiser HMO						
Employee	3	\$776.78	\$34.98	4.5%	\$741.80	95.5%
Employee + One	1	\$1,553.56	\$88.29	5.7%	\$1,465.27	94.3%
Employee + Child(ren)	0	\$1,475.89	\$79.75	5.4%	\$1,396.14	94.6%
Employee + Family	2	<u>\$2,485.70</u>	<u>\$127.81</u>	5.1%	<u>\$2,357.89</u>	94.9%
MONTHLY TOTAL	6	\$8,855	\$449		\$8,406	

2020 Employer vs. Employee Contributions

FULL TIME ACTIVES & EARLY RETIREES	Enrollment	2020 RATES	EE Contributions	EE Contribution % of Premium	CalOptima Contributions	CalOptima % of Premium	EE Contributions Monthly Increase from Current
Actives & Early Retirees							
Cigna HMO							
Employee	120	\$705.66	\$37.43	5.3%	\$668.23	94.7%	\$2.45
Employee + Spouse	46	\$1,544.15	\$94.47	6.1%	\$1,449.68	93.9%	\$6.18
Employee + Child(ren)	84	\$1,394.72	\$85.34	6.1%	\$1,309.38	93.9%	\$5.59
Employee + Family	147	<u>\$2,205.93</u>	<u>\$136.76</u>	6.2%	<u>\$2,069.17</u>	93.8%	\$8.95
MONTHLY TOTAL	397	\$597,138	\$36,109		\$561,029		
Early Retirees (Outside CA)							
Cigna PPO							
Employee	1	\$1,131.90	\$200.12	17.7%	\$931.78	82.3%	\$13.10
Employee + Spouse	0	\$2,452.10	\$476.49	19.4%	\$1,975.61	80.6%	\$31.19
Employee + Child(ren)	1	\$2,217.87	\$430.97	19.4%	\$1,786.90	80.6%	\$28.21
Employee + Family	0	<u>\$3,507.84</u>	<u>\$714.76</u>	20.4%	<u>\$2,793.08</u>	79.6%	\$46.78
MONTHLY TOTAL	2	\$3,350	\$631		\$2,719		
Actives							
Cigna HDHP							
Employee	41	\$813.26	\$103.65	12.7%	\$709.61	87.3%	\$1.52
Employee + Spouse	18	\$1,707.85	\$292.38	17.1%	\$1,415.47	82.9%	\$16.86
Employee + Child(ren)	12	\$1,545.19	\$264.54	17.1%	\$1,280.65	82.9%	\$15.68
Employee + Family	17	<u>\$2,439.78</u>	<u>\$528.67</u>	21.7%	<u>\$1,911.11</u>	78.3%	\$30.49
MONTHLY TOTAL	88	\$124,104	\$21,674		\$102,429		
Actives							
Kaiser HMO							
Employee	259	\$576.45	\$37.43	6.5%	\$539.02	93.5%	\$2.45
Employee + Spouse	75	\$1,152.90	\$94.47	8.2%	\$1,058.43	91.8%	\$6.18
Employee + Child(ren)	144	\$1,095.26	\$85.34	8.2%	\$1,009.92	92.2%	\$5.59
Employee + Family	211	<u>\$1,844.65</u>	<u>\$136.76</u>	7.4%	<u>\$1,707.89</u>	92.6%	\$8.95
MONTHLY TOTAL	689	\$782,707	\$57,925		\$724,782		
Early Retirees							
Kaiser HMO							
Employee	3	\$863.27	\$37.43	4.3%	\$825.84	95.7%	\$2.45
Employee + Spouse	1	\$1,726.54	\$94.47	5.5%	\$1,632.07	94.5%	\$6.18
Employee + Child(ren)	0	\$1,640.22	\$85.34	5.2%	\$1,554.88	94.8%	\$5.59
Employee + Family	2	<u>\$2,762.48</u>	<u>\$136.76</u>	5.0%	<u>\$2,625.72</u>	95.0%	\$8.95
MONTHLY TOTAL	6	\$9,841	\$480		\$9,361		



Employee Contribution Option

CalOptima shares the increase with employees; employee contributions are same percentage as current (except for Kaiser, which is the same dollar amount as Cigna HMO) for medical plans only. This is the current employee contribution strategy.

Medical for Part-Time Actives and Medicare Retirees

PART TIME ACTIVES	Enrollment	2019 RATES	EE Contributions	EE Contribution % of Premium	CalOptima Contributions	CalOptima % of Premium
Cigna HMO						
Employee	0	\$659.47	\$69.97	10.6%	\$589.50	89.4%
Employee + One	0	\$1,443.08	\$176.57	12.2%	\$1,266.51	87.8%
Employee + Child(ren)	0	\$1,303.43	\$159.50	12.2%	\$1,143.93	87.8%
Employee + Family	0	<u>\$2,061.55</u>	<u>\$255.63</u>	12.4%	<u>\$1,805.92</u>	87.6%
MONTHLY TOTAL	0	\$0	\$0		\$0	
Cigna PPO						
Employee	0	\$1,057.81	\$374.04	35.4%	\$683.77	64.6%
Employee + One	0	\$2,291.60	\$890.62	38.9%	\$1,400.98	61.1%
Employee + Child(ren)	0	\$2,072.70	\$805.52	38.9%	\$1,267.18	61.1%
Employee + Family	0	<u>\$3,278.24</u>	<u>\$1,335.93</u>	40.8%	<u>\$1,942.31</u>	59.2%
MONTHLY TOTAL	0	\$0	\$0		\$0	
Cigna HDHP						
Employee	0	\$801.37	\$204.25	25.5%	\$597.12	74.5%
Employee + One	0	\$1,609.35	\$551.03	34.2%	\$1,058.32	65.8%
Employee + Child(ren)	0	\$1,453.61	\$497.72	34.2%	\$955.89	65.8%
Employee + Family	0	<u>\$2,299.07</u>	<u>\$996.37</u>	43.3%	<u>\$1,302.70</u>	56.7%
MONTHLY TOTAL	0	\$0	\$0		\$0	
Kaiser HMO						
Employee	1	\$518.54	\$69.97	13.5%	\$448.57	86.5%
Employee + One	0	\$1,037.08	\$176.57	17.0%	\$860.51	83.0%
Employee + Child(ren)	1	\$985.23	\$159.50	16.2%	\$825.73	83.8%
Employee + Family	0	<u>\$1,659.33</u>	<u>\$255.63</u>	15.4%	<u>\$1,403.70</u>	84.6%
MONTHLY TOTAL	2	\$1,504	\$229		\$1,274	
MEDICARE RETIREES	Enrollment	2019 RATES	EE Contributions	EE Contribution % of Premium	CalOptima Contributions	CalOptima % of Premium
Amwins PPO						
Retiree (Medicare)	14	\$400.83	\$70.98	17.7%	\$329.85	82.3%
Retiree + 1 (2 Medicare)	16	<u>\$801.66</u>	<u>\$160.95</u>	20.1%	\$640.71	79.9%
MONTHLY TOTAL	30	\$18,438	\$3,569		\$14,869	
Kaiser HMO						
Subscriber with Medicare	8	\$216.72	\$12.85	5.9%	\$203.87	94.1%
Subscriber with Medicare + Spouse with Medicare	9	\$433.44	\$32.42	7.5%	\$401.02	92.5%
Subscriber with Medicare + Spouse without Medicare	2	\$993.50	\$82.35	8.3%	\$911.15	91.7%
Subscriber with Medicare and Children	1	<u>\$915.83</u>	<u>\$135.88</u>	14.8%	<u>\$779.95</u>	85.2%
MONTHLY TOTAL	20	\$8,538	\$695		\$7,842	

PART TIME ACTIVES	Enrollment	2020 RATES	EE Contributions	EE Contribution % of Premium	CalOptima Contributions	CalOptima % of Premium	EE Contributions Monthly Increase from Current
Cigna HMO							
Employee	0	\$705.66	\$74.87	10.6%	\$630.79	89.4%	\$4.90
Employee + Spouse	0	\$1,544.15	\$188.94	12.2%	\$1,355.21	87.8%	\$12.37
Employee + Child(ren)	0	\$1,394.72	\$170.67	12.2%	\$1,224.05	87.8%	\$11.17
Employee + Family	0	<u>\$2,205.93</u>	<u>\$273.53</u>	12.4%	<u>\$1,932.40</u>	87.6%	\$17.90
MONTHLY TOTAL	0	\$0	\$0		\$0		
Cigna PPO							
Employee	0	\$1,131.90	\$400.24	35.4%	\$731.66	64.6%	\$26.20
Employee + Spouse	0	\$2,452.10	\$953.00	38.9%	\$1,499.10	61.1%	\$62.38
Employee + Child(ren)	0	\$2,217.87	\$861.94	38.9%	\$1,355.93	61.1%	\$56.42
Employee + Family	0	<u>\$3,507.84</u>	<u>\$1,429.50</u>	40.8%	<u>\$2,078.34</u>	59.2%	\$93.57
MONTHLY TOTAL	0	\$0	\$0		\$0		
Cigna HDHP							
Employee	0	\$813.26	\$207.28	25.5%	\$605.98	74.5%	\$3.03
Employee + Spouse	0	\$1,707.85	\$584.76	34.2%	\$1,123.09	65.8%	\$33.73
Employee + Child(ren)	0	\$1,545.19	\$529.08	34.2%	\$1,016.11	65.8%	\$31.36
Employee + Family	0	<u>\$2,439.78</u>	<u>\$1,057.35</u>	43.3%	<u>\$1,382.43</u>	56.7%	\$60.98
MONTHLY TOTAL	0	\$0	\$0		\$0		
Kaiser HMO							
Employee	1	\$576.45	\$74.87	13.0%	\$501.58	87.0%	\$4.90
Employee + Spouse	0	\$1,152.90	\$188.94	16.4%	\$963.96	83.6%	\$12.37
Employee + Child(ren)	1	\$1,095.26	\$170.67	15.6%	\$924.59	84.4%	\$11.17
Employee + Family	0	<u>\$1,844.65</u>	<u>\$273.53</u>	14.8%	<u>\$1,571.12</u>	85.2%	\$17.90
MONTHLY TOTAL	2	\$1,672	\$246		\$1,426		\$16.07
MEDICARE RETIREES	Enrollment	2020 RATES	EE Contributions	EE Contribution % of Premium	CalOptima Contributions	CalOptima % of Premium	EE Contributions Monthly Increase from Current
Amwins PPO							
Retiree (Medicare)	14	\$445.02	\$78.81	17.7%	\$366.21	82.3%	\$7.83
Retiree + 1 (2 Medicare)	16	<u>\$890.04</u>	<u>\$178.69</u>	20.1%	<u>\$711.35</u>	79.9%	\$17.74
MONTHLY TOTAL	30	\$20,471	\$3,962		\$16,509		
Kaiser HMO							
Subscriber with Medicare	8	\$220.92	\$14.34	6.5%	\$206.58	93.5%	\$1.49
Subscriber with Medicare + Spouse with Medicare	9	\$441.84	\$36.21	8.2%	\$405.63	91.8%	\$3.79
Subscriber with Medicare + Spouse without Medicare	2	\$1,098.43	\$90.01	8.2%	\$1,008.42	91.8%	\$7.66
Subscriber with Medicare and Children	1	<u>\$1,010.68</u>	<u>\$74.93</u>	7.4%	<u>\$935.75</u>	92.6%	
MONTHLY TOTAL	20	\$8,951	\$696		\$8,256		



Employee Contribution Option

No change to dental or vision contributions

Dental and Vision for All

2019 Employer vs. Employee Contributions

FULL TIME DENTAL & VISION	Enrollment	2019 RATES	EE Contributions	EE Contribution % of Premium	CalOptima Contributions	CalOptima % of Premium
Actives & Retirees						
Dental PPO						
Employee	348	\$48.26	\$5.20	10.8%	\$43.06	89.2%
Employee + One	168	\$95.88	\$15.72	16.4%	\$80.16	83.6%
Employee + Child(ren)	158	\$123.18	\$20.20	16.4%	\$102.98	83.6%
Employee + Family	328	\$186.34	\$31.54	16.9%	\$154.80	83.1%
MONTHLY TOTAL	1,002	\$113,484	\$17,987		\$95,497	
Actives & Retirees						
Dental HMO						
Employee	108	\$12.76	\$0.00	0.0%	\$12.76	100.0%
Employee + One	36	\$25.34	\$0.00	0.0%	\$25.34	100.0%
Employee + Child(ren)	55	\$32.56	\$0.00	0.0%	\$32.56	100.0%
Employee + Family	110	\$49.25	\$0.00	0.0%	\$49.25	100.0%
MONTHLY TOTAL	309	\$9,499	\$0		\$9,499	
Actives & Retirees						
VSP Vision						
Employee	498	\$7.37	\$0.00	0.0%	\$7.37	100.0%
Employee + One	189	\$11.45	\$1.00	8.7%	\$10.45	91.3%
Employee + Child(ren)	197	\$11.93	\$1.50	12.6%	\$10.43	87.4%
Employee + Family	429	\$19.06	\$2.00	10.5%	\$17.06	89.5%
MONTHLY TOTAL	1,313	\$16,361	\$1,343		\$15,019	
PART TIME DENTAL & VISION						
Actives						
Dental PPO						
Employee	0	\$48.26	\$10.40	21.5%	\$37.86	78.5%
Employee + One	1	\$95.88	\$31.44	32.8%	\$64.44	67.2%
Employee + Child(ren)	0	\$123.18	\$40.40	32.8%	\$82.78	67.2%
Employee + Family	0	\$186.34	\$63.08	33.9%	\$123.26	66.1%
MONTHLY TOTAL	1	\$96	\$31		\$64	
Actives						
Dental HMO						
Employee	0	\$12.76	\$0.00	0.0%	\$12.76	100.0%
Employee + One	0	\$25.34	\$0.00	0.0%	\$25.34	100.0%
Employee + Child(ren)	0	\$32.56	\$0.00	0.0%	\$32.56	100.0%
Employee + Family	1	\$49.25	\$0.00	0.0%	\$49.25	100.0%
MONTHLY TOTAL	1	\$49	\$0		\$49	
Actives						
VSP Vision						
Employee	1	\$7.37	\$0.00	0.0%	\$7.37	100.0%
Employee + One	1	\$11.45	\$2.00	17.5%	\$9.45	82.5%
Employee + Child(ren)	0	\$11.93	\$3.00	25.1%	\$8.93	74.9%
Employee + Family	1	\$19.06	\$4.00	21.0%	\$15.06	79.0%
MONTHLY TOTAL	3	\$38	\$6		\$32	

2020 Employer vs. Employee Contributions

FULL TIME DENTAL & VISION	Enrollment	2020 RATES	EE Contributions	EE Contribution % of Premium	CalOptima Contributions	CalOptima % of Premium	EE Contributions Monthly Increase from Current
Actives & Retirees							
Dental PPO							
Employee	348	\$49.47	\$5.20	10.5%	\$44.27	89.5%	\$0.00
Employee + Spouse	168	\$98.28	\$15.72	16.0%	\$82.56	84.0%	\$0.00
Employee + Child(ren)	158	\$126.26	\$20.20	16.0%	\$106.06	84.0%	\$0.00
Employee + Family	328	\$191.00	\$31.54	16.5%	\$159.46	83.5%	\$0.00
MONTHLY TOTAL	1002	\$116,324	\$17,987		\$98,336		
Actives & Retirees							
Dental HMO							
Employee	108	\$13.08	\$0.00	0.0%	\$13.08	100.0%	\$0.00
Employee + Spouse	36	\$25.98	\$0.00	0.0%	\$25.98	100.0%	\$0.00
Employee + Child(ren)	55	\$33.38	\$0.00	0.0%	\$33.38	100.0%	\$0.00
Employee + Family	110	\$50.49	\$0.00	0.0%	\$50.49	100.0%	\$0.00
MONTHLY TOTAL	309	\$9,738	\$0		\$9,738		
Actives & Retirees							
VSP Vision							
Employee	498	\$8.14	\$0.00	0.0%	\$8.14	100.0%	\$0.00
Employee + Spouse	189	\$12.65	\$1.00	8.7%	\$11.65	92.1%	\$0.00
Employee + Child(ren)	197	\$13.17	\$1.50	12.6%	\$11.67	88.6%	\$0.00
Employee + Family	429	\$21.08	\$2.00	10.5%	\$19.08	90.5%	\$0.00
MONTHLY TOTAL	1,313	\$18,082	\$1,343		\$16,740		\$0.00
PART TIME DENTAL & VISION							
Actives							
Dental PPO							
Employee	0	\$48.26	\$10.40	21.0%	\$39.07	79.0%	\$0.00
Employee + Spouse	1	\$98.28	\$31.44	32.0%	\$66.84	68.0%	\$0.00
Employee + Child(ren)	0	\$126.26	\$40.40	32.0%	\$85.86	68.0%	\$0.00
Employee + Family	0	\$191.00	\$63.08	33.0%	\$127.92	67.0%	\$0.00
MONTHLY TOTAL	1	\$98	\$31		\$67		\$0.00
Actives							
Dental HMO							
Employee	0	\$13.08	\$0.00	0.0%	\$13.08	100.0%	\$0.00
Employee + Spouse	0	\$25.98	\$0.00	0.0%	\$25.98	100.0%	\$0.00
Employee + Child(ren)	0	\$33.38	\$0.00	0.0%	\$33.38	100.0%	\$0.00
Employee + Family	1	\$50.49	\$0.00	0.0%	\$50.49	100.0%	\$0.00
MONTHLY TOTAL	1	\$50	\$0		\$50		
Actives							
VSP Vision							
Employee	1	\$8.14	\$0.00	0.0%	\$8.14	100.0%	\$0.00
Employee + Spouse	1	\$12.65	\$2.00	17.5%	\$10.65	84.2%	\$0.00
Employee + Child(ren)	0	\$13.17	\$3.00	25.1%	\$10.17	77.2%	\$0.00
Employee + Family	1	\$21.08	\$4.00	21.0%	\$17.08	81.0%	\$0.00
MONTHLY TOTAL	3	\$42	\$6		\$36		



Renewal & Open Enrollment Timeline

▶ October

- October 4th – All decisions for 2020 must be made in order to provide rates, contributions & benefits to Dayforce for system update for Open Enrollment
- October 4th – October 25th
 - Communications developed & distributed
 - Dayforce system updated, tested, and ready for Open Enrollment
 - Required notices/documentation prepared & distributed
 - Carriers notified of 2020 decisions
- October 28th – November 8th – Open Enrollment

▶ November/December

- Carriers update systems with new elections, produce & distribute new ID cards as necessary



CalOptima
Better. Together.

Financial Summary

July 2019

Finance and Audit Committee Meeting
September 19, 2019

Nancy Huang
Interim Chief Financial Officer

FY 2019-20: Consolidated Enrollment

July 2019 MTD

Overall enrollment was 755,893 members

- Actual higher than budget 3,071 members or 0.4%
 - Medi-Cal favorable variance of 3,000 members
 - Temporary Assistance for Needy Families (TANF) favorable variance of 4,253 members
 - Seniors and Persons with Disabilities (SPD) favorable variance of 1,059 members
 - Medi-Cal Expansion (MCE) unfavorable variance of 1,168 members
 - Whole Child Model (WCM) unfavorable variance of 1,115
 - Long-Term Care (LTC) unfavorable variance of 29
 - OneCare Connect favorable variance of 41 members
- 4,030 decrease from June
 - Medi-Cal decrease of 4,165 members
 - OneCare Connect increase of 134 members
 - OneCare decrease of 7 members
 - PACE increase of 8 members

FY 2019-20: Consolidated Revenues

July 2019 MTD

- Actual higher than budget \$2.0 million or 0.7%
 - Medi-Cal favorable to budget \$0.7 million or 0.3%
 - Favorable volume variance of \$1.1 million
 - Unfavorable price variance of \$0.4 million
 - OneCare Connect favorable to budget \$1.1 million or 4.6%
 - Favorable volume variance of \$0.1 million
 - Favorable price variance of \$1.0 million
 - OneCare favorable to budget \$243.7 thousand or 15.5%
 - Favorable volume variance of \$37.9 thousand
 - Favorable price variance of \$205.8 thousand
 - PACE unfavorable to budget \$13.9 thousand or 0.5%
 - Unfavorable volume variance of \$46.7 thousand
 - Favorable price variance of \$32.8 thousand

FY 2019-20: Consolidated Medical Expenses

July 2019 MTD

- Actual higher than budget \$7.5 million or 2.7%
 - Medi-Cal unfavorable variance of \$7.0 million or 2.7%
 - Unfavorable volume variance of \$1.0 million
 - Unfavorable price variance of \$6.0 million
 - Prescription Drug expenses unfavorable variance of \$7.5 million due to high utilization
 - Professional Claims expenses unfavorable variance of \$2.7 million due to Proposition 56 claims and Incurred But Not Reported (IBNR) claims
 - Reinsurance and Other expenses favorable variance of \$2.0 million due to budgeting of homeless health initiatives
 - Medical Management expenses favorable variance of \$1.2 million
 - Due to claim lag and limited information available, most of WCM medical expenses were estimated based on budget assumptions in July 2019

FY 2019-20: Consolidated Medical Expenses (cont.)

July 2019 MTD

- OneCare Connect unfavorable variance of \$0.6 million or 2.7%
 - Unfavorable volume variance of \$0.1 million
 - Unfavorable price variance of \$0.6 million
- OneCare favorable variance of \$176.8 thousand or 11.1%
 - Unfavorable volume variance of \$38.5 thousand
 - Favorable price variance of \$215.4 thousand
- PACE unfavorable variance of \$53.1 thousand or 2.2%
 - Favorable volume variance of \$42.2 thousand
 - Unfavorable price variance of \$95.4 thousand

Medical Loss Ratio (MLR)

- July 2019 MTD: Actual: 97.4% Budget: 95.6%

FY 2019-20: Consolidated Administrative Expenses

July 2019 MTD

- Actual lower than budget \$2.0 million or 14.7%
 - Salaries, wages and benefits: favorable variance of \$0.6 million
 - Other categories: favorable variance of \$1.4 million

Administrative Loss Ratio (ALR)

- July 2019 MTD: Actual: 3.8% Budget: 4.5%

FY 2019-20: Change in Net Assets

July 2019 MTD

- (\$2.0) million change in net assets
- \$3.1 million unfavorable to budget
 - Higher than budgeted revenue of \$2.0 million
 - Higher than budgeted medical expenses of \$7.6 million
 - Lower than budgeted administrative expenses of \$2.0 million
 - Higher than budgeted investment and other income of \$0.5 million

Enrollment Summary: July 2019

Month-to-Date				Enrollment (By Aid Category)	Year-to-Date			
Actual	Budget	Variance	%		Actual	Budget	Variance	%
65,252	65,188	64	0.1%	Aged	65,252	65,188	64	0.1%
566	615	(49)	(8.0%)	BCCTP	566	615	(49)	(8.0%)
44,910	43,866	1,044	2.4%	Disabled	44,910	43,866	1,044	2.4%
291,573	287,607	3,966	1.4%	TANF Child	291,573	287,607	3,966	1.4%
88,396	88,109	287	0.3%	TANF Adult	88,396	88,109	287	0.3%
3,375	3,404	(29)	(0.9%)	LTC	3,375	3,404	(29)	(0.9%)
233,874	235,042	(1,168)	(0.5%)	MCE	233,874	235,042	(1,168)	(0.5%)
11,825	12,940	(1,115)	(8.6%)	WCM	11,825	12,940	(1,115)	(8.6%)
739,771	736,771	3,000	0.4%	Medi-Cal	739,771	736,771	3,000	0.4%
14,257	14,216	41	0.3%	OneCare Connect	14,257	14,216	41	0.3%
1,530	1,494	36	2.4%	OneCare	1,530	1,494	36	2.4%
335	341	(6)	(1.8%)	PACE	335	341	(6)	(1.8%)
755,893	752,822	3,071	0.4%	CalOptima Total	755,893	752,822	3,071	0.4%

Financial Highlights: July 2019

Month-to-Date			
Actual	Budget	\$ Budget	% Budget
755,893	752,822	3,071	0.4%
299,570,627	297,529,501	2,041,127	0.7%
291,931,203	284,383,353	(7,547,851)	(2.7%)
11,357,403	13,313,535	1,956,132	14.7%
(3,717,979)	(167,387)	(3,550,593)	(2121.2%)
1,747,798	1,250,000	497,798	39.8%
(1,970,181)	1,082,613	(3,052,794)	(282.0%)
97.4%	95.6%	(1.9%)	
3.8%	4.5%	0.7%	
<u>(1.2%)</u>	<u>(0.1%)</u>	(1.2%)	
100.0%	100.0%		

Year-to-Date				
Actual	Budget	\$ Budget	% Budget	
Member Months	755,893	752,822	3,071	0.4%
Revenues	299,570,627	297,529,501	2,041,127	0.7%
Medical Expenses	291,931,203	284,383,353	(7,547,851)	(2.7%)
Administrative Expenses	11,357,403	13,313,535	1,956,132	14.7%
Operating Margin	(3,717,979)	(167,387)	(3,550,593)	(2121.2%)
Non Operating Income (Loss)	1,747,798	1,250,000	497,798	39.8%
Change in Net Assets	(1,970,181)	1,082,613	(3,052,794)	(282.0%)
Medical Loss Ratio	97.4%	95.6%	(1.9%)	
Administrative Loss Ratio	3.8%	4.5%	0.7%	
Operating Margin Ratio	<u>(1.2%)</u>	<u>(0.1%)</u>	(1.2%)	
Total Operating	100.0%	100.0%		

Consolidated Performance Actual vs. Budget: July 2019 (in millions)

MONTH-TO-DATE				YEAR-TO-DATE		
<u>Actual</u>	<u>Budget</u>	<u>Variance</u>		<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
(3.2)	1.6	(4.8)	Medi-Cal	(3.2)	1.6	(4.8)
(0.9)	(1.6)	0.8	OCC	(0.9)	(1.6)	0.8
0.3	(0.2)	0.5	OneCare	0.3	(0.2)	0.5
<u>0.0</u>	<u>0.1</u>	<u>(0.1)</u>	<u>PACE</u>	<u>0.0</u>	<u>0.1</u>	<u>(0.1)</u>
(3.7)	(0.2)	(3.6)	Operating	(3.7)	(0.2)	(3.6)
<u>1.7</u>	<u>1.3</u>	<u>0.5</u>	<u>Inv./Rental Inc, MCO tax</u>	<u>1.7</u>	<u>1.3</u>	<u>0.5</u>
1.7	1.3	0.5	Non-Operating	1.7	1.3	0.5
(2.0)	1.1	(3.1)	TOTAL	(2.0)	1.1	(3.1)

Consolidated Revenue & Expense:

July 2019 MTD

	Medi-Cal Classic	Medi-Cal Expansion	Whole Child Model	Total Medi-Cal	OneCare Connect	OneCare	PACE	Consolidated
MEMBER MONTHS	494,072	233,874	11,825	739,771	14,257	1,530	335	755,893
REVENUES								
Capitation Revenue	\$ 143,553,009	\$ 103,663,269	\$ 23,142,951	\$ 270,359,229	\$ 24,752,077	\$ 1,818,209	\$ 2,641,112	\$ 299,570,627
Other Income	-	-	-	-	-	-	-	-
Total Operating Revenue	<u>143,553,009</u>	<u>103,663,269</u>	<u>23,142,951</u>	<u>270,359,229</u>	<u>24,752,077</u>	<u>1,818,209</u>	<u>2,641,112</u>	<u>299,570,627</u>
MEDICAL EXPENSES								
Provider Capitation	38,747,620	44,463,058	10,217,936	93,428,614	11,289,150	482,924		105,200,688
Facilities	23,667,106	22,340,652	3,238,731	49,246,488	3,271,773	319,074	1,059,579	53,896,914
Ancillary	-	-	-	-	727,111	71,901	-	799,012
Professional Claims	16,402,774	8,361,501	1,194,820	25,959,094	-	-	420,333	26,379,427
Prescription Drugs	29,047,231	22,320,842	566,219	51,934,292	5,716,226	494,170	214,473	58,359,160
MLTSS	26,905,350	2,791,074	7,658,945	37,355,369	1,503,480	(2,476)	25,654	38,882,027
Medical Management	2,027,447	1,014,719	391,185	3,433,351	1,150,294	56,929	649,949	5,290,522
Quality Incentives	918,519	472,735		1,391,254	274,200		4,549	1,670,003
Reinsurance & Other	667,267	548,593	8,973	1,224,832	149,781		78,837	1,453,450
Total Medical Expenses	<u>138,383,312</u>	<u>102,313,174</u>	<u>23,276,808</u>	<u>263,973,294</u>	<u>24,082,014</u>	<u>1,422,522</u>	<u>2,453,374</u>	<u>291,931,203</u>
Medical Loss Ratio	97.0%	98.7%	100.6%	97.6%	97.3%	78.2%	92.9%	97.4%
GROSS MARGIN	5,169,697	1,350,096	(133,857)	6,385,935	670,063	395,688	187,738	7,639,424
ADMINISTRATIVE EXPENSES								
Salaries & Benefits				6,919,237	774,127	35,209	156,645	7,885,217
Professional fees				91,947	(850)			91,097
Purchased services				834,160	157,088	16,760	21,202	1,029,209
Printing & Postage				317,141	50,085	(8,879)	719	359,067
Depreciation & Amortization				401,259			2,092	403,351
Other expenses				1,152,693	37,129		2,412	1,192,233
Indirect cost allocation & Occupancy				(161,794)	519,792	35,589	3,642	397,229
Total Administrative Expenses				<u>9,554,642</u>	<u>1,537,371</u>	<u>78,679</u>	<u>186,712</u>	<u>11,357,403</u>
Admin Loss Ratio				3.5%	6.2%	4.3%	7.1%	3.8%
INCOME (LOSS) FROM OPERATIONS				(3,168,706)	(867,308)	317,009	1,026	(3,717,979)
INVESTMENT INCOME								1,747,798
CHANGE IN NET ASSETS				<u>\$ (3,168,706)</u>	<u>\$ (867,308)</u>	<u>\$ 317,009</u>	<u>\$ 1,026</u>	<u>\$ (1,970,181)</u>
BUDGETED CHANGE IN NET ASSETS				1,585,417	(1,643,841)	(174,627)	65,664	1,082,613
VARIANCE TO BUDGET - FAV (UNFAV)				<u>\$ (4,754,124)</u>	<u>\$ 776,533</u>	<u>\$ 491,636</u>	<u>\$ (64,638)</u>	<u>\$ (3,052,794)</u>

Balance Sheet: As of July 2019

ASSETS

Current Assets	
Operating Cash	\$294,005,950
Investments	589,942,289
Capitation receivable	299,059,139
Receivables - Other	36,234,453
Prepaid expenses	6,875,890
Total Current Assets	1,226,117,721

Capital Assets	
Furniture & Equipment	37,086,365
Building/Leasehold Improvements	7,090,283
505 City Parkway West	50,464,989
	94,641,636
Less: accumulated depreciation	(47,103,553)
Capital assets, net	47,538,083

Other Assets	
Restricted Deposit & Other	300,000
Homeless Health Reserve	60,000,000
Board-designated assets:	
Cash and Cash Equivalents	13,335,635
Long-term Investments	546,836,157
Total Board-designated Assets	560,171,792
Total Other Assets	620,471,792
TOTAL ASSETS	1,894,127,596

Deferred Outflows	
Pension Contributions	1,242,962
Difference in Experience	3,419,328
Excess Earning	-
Changes in Assumptions	6,428,159
TOTAL ASSETS & DEFERRED OUTFLOWS	1,905,218,045

LIABILITIES & NET POSITION

Current Liabilities	
Accounts Payable	\$8,195,445
Medical Claims liability	728,775,781
Accrued Payroll Liabilities	12,720,471
Deferred Revenue	39,917,963
Deferred Lease Obligations	38,153
Capitation and Withholds	126,031,885
Total Current Liabilities	915,679,698

Other (than pensions) post employment benefits liability	24,825,940
Net Pension Liabilities	23,732,883
Bldg 505 Development Rights	-
TOTAL LIABILITIES	964,238,521

Deferred Inflows	
Change in Assumptions	7,250,505
Excess Earnings	156,330
Net Position	
TNE	94,829,046
Funds in Excess of TNE	838,743,643
TOTAL NET POSITION	933,572,689

TOTAL LIABILITIES, DEFERRED INFLOWS & NET POSITION	1,905,218,045
---	----------------------

Board Designated Reserve and TNE Analysis

As of July 2019

Type	Reserve Name	Market Value	Benchmark		Variance	
			Low	High	Mkt - Low	Mkt - High
	Tier 1 - Payden & Rygel	153,459,393				
	Tier 1 - Logan Circle	152,583,250				
	Tier 1 - Wells Capital	152,692,768				
Board-designated Reserve						
		458,735,412	304,878,980	476,182,420	153,856,432	(17,447,008)
TNE Requirement	Tier 2 - Logan Circle	101,436,380	94,829,046	94,829,046	6,607,334	6,607,334
Consolidated:		560,171,792	399,708,026	571,011,466	160,463,766	(10,839,674)
<i>Current reserve level</i>		<i>1.96</i>	<i>1.40</i>	<i>2.00</i>		





CalOptima
Better. Together.

UNAUDITED FINANCIAL STATEMENTS

July 2019

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**CalOptima - Consolidated
Financial Highlights
For the One Month Ended July 31, 2019**

Month-to-Date			
Actual	Budget	\$ Budget	% Budget
755,893	752,822	3,071	0.4%
299,570,627	297,529,501	2,041,127	0.7%
291,931,203	284,383,353	(7,547,851)	(2.7%)
11,357,403	13,313,535	1,956,132	14.7%
(3,717,979)	(167,387)	(3,550,593)	(2121.2%)
1,747,798	1,250,000	497,798	39.8%
(1,970,181)	1,082,613	(3,052,794)	(282.0%)
97.4%	95.6%	(1.9%)	
3.8%	4.5%	0.7%	
<u>(1.2%)</u>	<u>(0.1%)</u>	(1.2%)	
100.0%	100.0%		

Member Months
Revenues
Medical Expenses
Administrative Expenses

Operating Margin

Non Operating Income (Loss)

Change in Net Assets

Medical Loss Ratio
Administrative Loss Ratio
Operating Margin Ratio
Total Operating

Year-to-Date			
Actual	Budget	\$ Budget	% Budget
755,893	752,822	3,071	0.4%
299,570,627	297,529,501	2,041,127	0.7%
291,931,203	284,383,353	(7,547,851)	(2.7%)
11,357,403	13,313,535	1,956,132	14.7%
(3,717,979)	(167,387)	(3,550,593)	(2121.2%)
1,747,798	1,250,000	497,798	39.8%
(1,970,181)	1,082,613	(3,052,794)	(282.0%)
97.4%	95.6%	(1.9%)	
3.8%	4.5%	0.7%	
<u>(1.2%)</u>	<u>(0.1%)</u>	(1.2%)	
100.0%	100.0%		

July 31, 2019 Unaudited Financial Statements

SUMMARY

MONTHLY RESULTS:

- Change in Net Assets is (\$2.0) million, \$3.1 million unfavorable to budget
- Operating deficit is \$3.7 million, with a surplus in non-operating income of \$1.7 million

Change in Net Assets by Line of Business (LOB) (\$ millions)

MONTH-TO-DATE			
<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	
(3.2)	1.6	(4.8)	Medi-Cal
(0.9)	(1.6)	0.8	OCC
0.3	(0.2)	0.5	OneCare
<u>0.0</u>	<u>0.1</u>	<u>(0.1)</u>	<u>PACE</u>
(3.7)	(0.2)	(3.6)	Operating
<u>1.7</u>	<u>1.3</u>	<u>0.5</u>	<u>Inv./Rental Inc, MCO tax</u>
1.7	1.3	0.5	Non-Operating
(2.0)	1.1	(3.1)	TOTAL

CalOptima
Financial Dashboard
For the One Month Ended July 31, 2019

MONTH - TO - DATE

Enrollment					
	Actual	Budget		Fav / (Unfav)	
Medi-Cal	739,771	736,771	↑	3,000	0.4%
OneCare Connect	14,257	14,216	↑	41	0.3%
OneCare	1,530	1,494	↑	36	2.4%
PACE	335	341	↓	(6)	(1.8%)
Total	755,893	752,822	↑	3,071	0.4%

Change in Net Assets (000)					
	Actual	Budget		Fav / (Unfav)	
Medi-Cal	\$ (3,169)	\$ 1,585	↓	\$ (4,754)	(299.9%)
OneCare Connect	(867)	(1,644)	↑	777	47.3%
OneCare	317	(175)	↑	492	281.5%
PACE	1	66	↓	(65)	(98.4%)
505 Bldg.	-	-	↑	-	0.0%
Investment Income & Other	1,748	1,250	↑	498	39.8%
Total	\$ (1,970)	\$ 1,082	↓	\$ (3,053)	(282.0%)

MLR			
	Actual	Budget	% Point Var
Medi-Cal	97.6%	95.3%	↓ (2.3)
OneCare Connect	97.3%	99.1%	↑ 1.8
OneCare	78.2%	101.6%	↑ 23.3

Administrative Cost (000)					
	Actual	Budget		Fav / (Unfav)	
Medi-Cal	\$ 9,555	\$ 11,118	↑	\$ 1,563	14.1%
OneCare Connect	1,537	1,857	↑	320	17.2%
OneCare	79	150	↑	71	47.5%
PACE	187	189	↑	2	1.3%
Total	\$ 11,357	\$ 13,314	↑	\$ 1,956	14.7%

Total FTE's Month			
	Actual	Budget	Fav / (Unfav)
Medi-Cal	911	1,145	216
OneCare Connect	201	200	(1)
OneCare	3	9	24
PACE	69	91	21
Total	1,184	1,445	261

MM per FTE			
	Actual	Budget	Fav / (Unfav)
Medi-Cal	812	643	168
OneCare Connect	71	71	(0)
OneCare	483	161	322
PACE	5	4	1
Total	1,371	879	492

YEAR - TO - DATE

Year To Date Enrollment					
	Actual	Budget		Fav / (Unfav)	
Medi-Cal	739,771	736,771	↑	3,000	0.4%
OneCare Connect	14,257	14,216	↑	41	0.3%
OneCare	1,530	1,494	↑	36	2.4%
PACE	335	341	↓	(6)	(1.8%)
Total	755,893	752,822	↑	3,071	0.4%

Change in Net Assets (000)					
	Actual	Budget		Fav / (Unfav)	
Medi-Cal	\$ (3,169)	\$ 1,585	↓	\$ (4,754)	(299.9%)
OneCare Connect	(867)	(1,644)	↑	777	47.3%
OneCare	317	(175)	↑	492	281.5%
PACE	1	66	↓	(65)	(98.4%)
505 Bldg.	-	-	↑	-	0.0%
Investment Income & Other	1,748	1,250	↑	498	39.8%
Total	\$ (1,970)	\$ 1,082	↓	\$ (3,053)	(282.0%)

MLR			
	Actual	Budget	% Point Var
Medi-Cal	97.6%	95.3%	↓ (2.3)
OneCare Connect	97.3%	99.1%	↑ 1.8
OneCare	78.2%	101.6%	↑ 23.3

Administrative Cost (000)					
	Actual	Budget		Fav / (Unfav)	
Medi-Cal	\$ 9,555	\$ 11,118	↑	\$ 1,563	14.1%
OneCare Connect	1,537	1,857	↑	320	17.2%
OneCare	79	150	↑	71	47.5%
PACE	187	189	↑	2	1.3%
Total	\$ 11,357	\$ 13,314	↑	\$ 1,956	14.7%

Total FTE's YTD			
	Actual	Budget	Fav / (Unfav)
Medi-Cal	911	1,145	234
OneCare Connect	201	200	(1)
OneCare	3	9	6
PACE	69	91	21
Total	1,184	1,445	261

MM per FTE			
	Actual	Budget	Fav / (Unfav)
Medi-Cal	812	643	168
OneCare Connect	71	71	(0)
OneCare	483	161	322
PACE	5	4	1
Total	1,371	879	492

CalOptima - Consolidated
Statement of Revenues and Expenses
For the One Month Ended July 31, 2019

	Actual		Budget		Variance	
	\$	PMPM	\$	PMPM	\$	PMPM
MEMBER MONTHS		755,893		752,822		3,071
REVENUE						
Medi-Cal	\$ 270,359,229	\$ 365.46	\$ 269,641,291	\$ 365.98	\$ 717,938	\$ (0.52)
OneCare Connect	24,752,077	1,736.14	23,658,718	1,664.23	1,093,359	71.91
OneCare	1,818,209	1,188.37	1,574,483	1,053.87	243,726	134.50
PACE	2,641,112	7,883.92	2,655,009	7,785.95	(13,897)	97.97
Total Operating Revenue	<u>299,570,627</u>	<u>396.31</u>	<u>297,529,501</u>	<u>395.22</u>	<u>2,041,127</u>	<u>1.09</u>
MEDICAL EXPENSES						
Medi-Cal	263,973,294	356.83	256,938,333	348.74	(7,034,961)	(8.09)
OneCare Connect	24,082,014	1,689.14	23,445,434	1,649.23	(636,580)	(39.91)
OneCare	1,422,522	929.75	1,599,357	1,070.52	176,835	140.77
PACE	2,453,374	7,323.50	2,400,229	7,038.79	(53,145)	(284.71)
Total Medical Expenses	<u>291,931,203</u>	<u>386.21</u>	<u>284,383,353</u>	<u>377.76</u>	<u>(7,547,851)</u>	<u>(8.45)</u>
GROSS MARGIN		7,639,424		13,146,148		(5,506,724)
		10.10		17.46		(7.36)
ADMINISTRATIVE EXPENSES						
Salaries and benefits	7,885,217	10.43	8,483,577	11.27	598,360	0.84
Professional fees	91,097	0.12	462,135	0.61	371,038	0.49
Purchased services	1,029,209	1.36	1,233,276	1.64	204,067	0.28
Printing & Postage	359,067	0.48	565,630	0.75	206,563	0.27
Depreciation & Amortization	403,351	0.53	457,866	0.61	54,515	0.08
Other expenses	1,192,233	1.58	1,724,120	2.29	531,887	0.71
Indirect cost allocation & Occupancy expense	397,229	0.53	386,931	0.51	(10,298)	(0.02)
Total Administrative Expenses	<u>11,357,403</u>	<u>15.03</u>	<u>13,313,535</u>	<u>17.68</u>	<u>1,956,132</u>	<u>2.65</u>
INCOME (LOSS) FROM OPERATIONS		(3,717,979)		(167,387)		(3,550,593)
		(4.92)		(0.22)		(4.70)
INVESTMENT INCOME						
Interest income	3,003,627	3.97	1,250,000	1.66	1,753,627	2.31
Realized gain/(loss) on investments	276,337	0.37	-	-	276,337	0.37
Unrealized gain/(loss) on investments	(1,532,166)	(2.03)	-	-	(1,532,166)	(2.03)
Total Investment Income	<u>1,747,798</u>	<u>2.31</u>	<u>1,250,000</u>	<u>1.66</u>	<u>497,798</u>	<u>0.65</u>
CHANGE IN NET ASSETS		<u>(1,970,181)</u>		<u>1,082,613</u>		<u>(3,052,794)</u>
		<u>(2.61)</u>		<u>1.44</u>		<u>(4.05)</u>
MEDICAL LOSS RATIO		97.4%		95.6%		(1.9%)
ADMINISTRATIVE LOSS RATIO		3.8%		4.5%		0.7%

**CalOptima - Consolidated - Month to Date
Statement of Revenues and Expenses by LOB
For the One Month Ended July 31, 2019**

	Medi-Cal Classic	Medi-Cal Expansion	Whole Child Model	Total Medi-Cal	OneCare Connect	OneCare	PACE	Consolidated
MEMBER MONTHS	494,072	233,874	11,825	739,771	14,257	1,530	335	755,893
REVENUES								
Capitation Revenue	\$ 143,553,009	\$ 103,663,269	\$ 23,142,951	\$ 270,359,229	\$ 24,752,077	\$ 1,818,209	\$ 2,641,112	\$ 299,570,627
Other Income	-	-	-	-	-	-	-	-
Total Operating Revenue	<u>143,553,009</u>	<u>103,663,269</u>	<u>23,142,951</u>	<u>270,359,229</u>	<u>24,752,077</u>	<u>1,818,209</u>	<u>2,641,112</u>	<u>299,570,627</u>
MEDICAL EXPENSES								
Provider Capitation	38,747,620	44,463,058	10,217,936	93,428,614	11,289,150	482,924		105,200,688
Facilities	23,667,106	22,340,652	3,238,731	49,246,488	3,271,773	319,074	1,059,579	53,896,914
Ancillary	-	-	-	-	727,111	71,901	-	799,012
Professional Claims	16,402,774	8,361,501	1,194,820	25,959,094	-	-	420,333	26,379,427
Prescription Drugs	29,047,231	22,320,842	566,219	51,934,292	5,716,226	494,170	214,473	58,359,160
MLTSS	26,905,350	2,791,074	7,658,945	37,355,369	1,503,480	(2,476)	25,654	38,882,027
Medical Management	2,027,447	1,014,719	391,185	3,433,351	1,150,294	56,929	649,949	5,290,522
Quality Incentives	918,519	472,735		1,391,254	274,200		4,549	1,670,003
Reinsurance & Other	667,267	548,593	8,973	1,224,832	149,781		78,837	1,453,450
Total Medical Expenses	<u>138,383,312</u>	<u>102,313,174</u>	<u>23,276,808</u>	<u>263,973,294</u>	<u>24,082,014</u>	<u>1,422,522</u>	<u>2,453,374</u>	<u>291,931,203</u>
Medical Loss Ratio	97.0%	98.7%	100.6%	97.6%	97.3%	78.2%	92.9%	97.4%
GROSS MARGIN	5,169,697	1,350,096	(133,857)	6,385,935	670,063	395,688	187,738	7,639,424
ADMINISTRATIVE EXPENSES								
Salaries & Benefits				6,919,237	774,127	35,209	156,645	7,885,217
Professional fees				91,947	(850)			91,097
Purchased services				834,160	157,088	16,760	21,202	1,029,209
Printing & Postage				317,141	50,085	(8,879)	719	359,067
Depreciation & Amortization				401,259			2,092	403,351
Other expenses				1,152,693	37,129		2,412	1,192,233
Indirect cost allocation & Occupancy				(161,794)	519,792	35,589	3,642	397,229
Total Administrative Expenses				<u>9,554,642</u>	<u>1,537,371</u>	<u>78,679</u>	<u>186,712</u>	<u>11,357,403</u>
Admin Loss Ratio				3.5%	6.2%	4.3%	7.1%	3.8%
INCOME (LOSS) FROM OPERATIONS				(3,168,706)	(867,308)	317,009	1,026	(3,717,979)
INVESTMENT INCOME								1,747,798
CHANGE IN NET ASSETS				<u>\$ (3,168,706)</u>	<u>\$ (867,308)</u>	<u>\$ 317,009</u>	<u>\$ 1,026</u>	<u>\$ (1,970,181)</u>
BUDGETED CHANGE IN NET ASSETS				1,585,417	(1,643,841)	(174,627)	65,664	1,082,613
VARIANCE TO BUDGET - FAV (UNFAV)				<u>\$ (4,754,124)</u>	<u>\$ 776,533</u>	<u>\$ 491,636</u>	<u>\$ (64,638)</u>	<u>\$ (3,052,794)</u>

CalOptima - Consolidated
Enrollment Summary
For the One Month Ended July 31, 2019

Month-to-Date				Enrollment (By Aid Category)	Year-to-Date			
Actual	Budget	Variance	%		Actual	Budget	Variance	%
65,252	65,188	64	0.1%	Aged	65,252	65,188	64	0.1%
566	615	(49)	(8.0%)	BCCTP	566	615	(49)	(8.0%)
44,910	43,866	1,044	2.4%	Disabled	44,910	43,866	1,044	2.4%
291,573	287,607	3,966	1.4%	TANF Child	291,573	287,607	3,966	1.4%
88,396	88,109	287	0.3%	TANF Adult	88,396	88,109	287	0.3%
3,375	3,404	(29)	(0.9%)	LTC	3,375	3,404	(29)	(0.9%)
233,874	235,042	(1,168)	(0.5%)	MCE	233,874	235,042	(1,168)	(0.5%)
11,825	12,940	(1,115)	(8.6%)	WCM	11,825	12,940	(1,115)	(8.6%)
739,771	736,771	3,000	0.4%	Medi-Cal	739,771	736,771	3,000	0.4%
14,257	14,216	41	0.3%	OneCare Connect	14,257	14,216	41	0.3%
1,530	1,494	36	2.4%	OneCare	1,530	1,494	36	2.4%
335	341	(6)	(1.8%)	PACE	335	341	(6)	(1.8%)
755,893	752,822	3,071	0.4%	CalOptima Total	755,893	752,822	3,071	0.4%

Enrollment (By Network)								
163,254	163,394	(140)	(0.1%)	HMO	163,254	163,394	(140)	(0.1%)
211,497	211,592	(95)	(0.0%)	PHC	211,497	211,592	(95)	(0.0%)
189,144	188,911	233	0.1%	Shared Risk Group	189,144	188,911	233	0.1%
175,876	172,874	3,002	1.7%	Fee for Service	175,876	172,874	3,002	1.7%
739,771	736,771	3,000	0.4%	Medi-Cal	739,771	736,771	3,000	0.4%
14,257	14,216	41	0.3%	OneCare Connect	14,257	14,216	41	0.3%
1,530	1,494	36	2.4%	OneCare	1,530	1,494	36	2.4%
335	341	(6)	(1.8%)	PACE	335	341	(6)	(1.8%)
755,893	752,822	3,071	0.4%	CalOptima Total	755,893	752,822	3,071	0.4%

CalOptima - Consolidated
Enrollment Trend by Network Type
Fiscal Year 2020

Network Type	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	MMs
HMO													
Aged	3,723												3,723
BCCTP	1												1
Disabled	6,539												6,539
TANF Child	54,046												54,046
TANF Adult	27,944												27,944
LTC	2												2
MCE	68,973												68,973
WCM	2,026												2,026
	163,254												163,254
PHC													
Aged	1,548												1,548
BCCTP	-												-
Disabled	5,416												5,416
TANF Child	148,665												148,665
TANF Adult	11,149												11,149
LTC	-												-
MCE	37,510												37,510
WCM	7,209												7,209
	211,497												211,497
Shared Risk Group													
Aged	3,569												3,569
BCCTP	-												-
Disabled	7,275												7,275
TANF Child	63,291												63,291
TANF Adult	28,681												28,681
LTC	1												1
MCE	84,595												84,595
WCM	1,732												1,732
	189,144												189,144
Fee for Service (Dual)													
Aged	51,730												51,730
BCCTP	15												15
Disabled	20,752												20,752
TANF Child	-												-
TANF Adult	964												964
LTC	3,044												3,044
MCE	2,116												2,116
WCM	15												15
	78,636												78,636
Fee for Service (Non-Dual)													
Aged	4,682												4,682
BCCTP	550												550
Disabled	4,928												4,928
TANF Child	25,571												25,571
TANF Adult	19,658												19,658
LTC	328												328
MCE	40,680												40,680
WCM	843												843
	97,240												97,240
MEDI-CAL TOTAL													
Aged	65,252												65,252
BCCTP	566												566
Disabled	44,910												44,910
TANF Child	291,573												291,573
TANF Adult	88,396												88,396
LTC	3,375												3,375
MCE	233,874												233,874
WCM	11,825												11,825
	739,771												739,771
OneCare Connect	14,257												14,257
OneCare	1,530												1,530
PACE	335												335
TOTAL	755,893												755,893

ENROLLMENT:

Overall July enrollment was 755,893

- Favorable to budget 3,071 or 0.4%
- Decreased 4,030 or 0.5% from prior month (June 2019)
- Decreased 22,641 or 2.9% from prior year (July 2018)

Medi-Cal enrollment was 739,771

- Favorable to budget 3,000 or 0.4%
 - Temporary Assistance for Needy Families (TANF) favorable 4,253
 - Seniors and Persons with Disabilities (SPD) favorable 1,059
 - Medi-Cal Expansion (MCE) unfavorable 1,168
 - Whole Child Model (WCM) unfavorable 1,115
 - Long-Term Care (LTC) unfavorable 29
- Decreased 4,165 from prior month

OneCare Connect enrollment was 14,257

- Favorable to budget 41 or 0.3%
- Increased 134 from prior month

OneCare enrollment was 1,530

- Favorable to budget 36 or 2.4%
- Decreased 7 from prior month

PACE enrollment was 335

- Unfavorable to budget 6 or 1.8%
- Increased 8 from prior month

CalOptima
Medi-Cal Total
Statement of Revenues and Expenses
For the One Month Ending July 31, 2019

Month				Year to Date			
Actual	Budget	\$ Variance	% Variance	Actual	Budget	\$ Variance	% Variance
739,771	736,771	3,000	0.4%	739,771	736,771	3,000	0.4%
Member Months				Member Months			
Revenues				Revenues			
270,359,229	269,641,291	717,938	0.3%	270,359,229	269,641,291	717,938	0.3%
-	-	-	0.0%	-	-	-	0.0%
270,359,229	269,641,291	717,938	0.3%	270,359,229	269,641,291	717,938	0.3%
Total Operating Revenue				Total Operating Revenue			
Medical Expenses				Medical Expenses			
94,819,868	95,550,257	730,389	0.8%	94,819,868	95,550,257	730,389	0.8%
49,246,488	48,541,875	(704,614)	(1.5%)	49,246,488	48,541,875	(704,614)	(1.5%)
25,959,094	23,225,102	(2,733,992)	(11.8%)	25,959,094	23,225,102	(2,733,992)	(11.8%)
51,934,292	44,399,007	(7,535,285)	(17.0%)	51,934,292	44,399,007	(7,535,285)	(17.0%)
37,355,369	37,412,016	56,647	0.2%	37,355,369	37,412,016	56,647	0.2%
3,433,351	4,608,043	1,174,692	25.5%	3,433,351	4,608,043	1,174,692	25.5%
1,224,832	3,202,034	1,977,202	61.7%	1,224,832	3,202,034	1,977,202	61.7%
263,973,294	256,938,333	(7,034,961)	(2.7%)	263,973,294	256,938,333	(7,034,961)	(2.7%)
6,385,935	12,702,958	(6,317,023)	(49.7%)	6,385,935	12,702,958	(6,317,023)	(49.7%)
Gross Margin				Gross Margin			
Administrative Expenses				Administrative Expenses			
6,919,237	7,431,227	511,990	6.9%	6,919,237	7,431,227	511,990	6.9%
91,947	362,706	270,759	74.6%	91,947	362,706	270,759	74.6%
834,160	954,253	120,093	12.6%	834,160	954,253	120,093	12.6%
317,141	442,570	125,429	28.3%	317,141	442,570	125,429	28.3%
401,259	455,750	54,491	12.0%	401,259	455,750	54,491	12.0%
1,152,693	1,643,358	490,665	29.9%	1,152,693	1,643,358	490,665	29.9%
(161,794)	(172,323)	(10,529)	(6.1%)	(161,794)	(172,323)	(10,529)	(6.1%)
9,554,642	11,117,541	1,562,899	14.1%	9,554,642	11,117,541	1,562,899	14.1%
Total Administrative Expenses				Total Administrative Expenses			
Operating Tax				Operating Tax			
-	11,358,122	(11,358,122)	(100.0%)	-	11,358,122	(11,358,122)	(100.0%)
-	-	-	0.0%	-	-	-	0.0%
-	11,358,122	11,358,122	100.0%	-	11,358,122	11,358,122	100.0%
-	-	-	0.0%	-	-	-	0.0%
Total Net Operating Tax				Total Net Operating Tax			
Grant Income				Grant Income			
8,909	-	8,909	0.0%	8,909	-	8,909	0.0%
-	-	-	0.0%	-	-	-	0.0%
8,909	-	(8,909)	0.0%	8,909	-	(8,909)	0.0%
-	-	-	0.0%	-	-	-	0.0%
(3,168,706)	1,585,417	(4,754,124)	(299.9%)	(3,168,706)	1,585,417	(4,754,124)	(299.9%)
Change in Net Assets				Change in Net Assets			
97.6%	95.3%	(2.3%)	(2.5%)	97.6%	95.3%	(2.3%)	(2.5%)
3.5%	4.1%	0.6%	14.3%	3.5%	4.1%	0.6%	14.3%
Medical Loss Ratio				Medical Loss Ratio			
Admin Loss Ratio				Admin Loss Ratio			

MEDI-CAL INCOME STATEMENT - JULY MONTH:

REVENUES of \$270.4 million are favorable to budget \$0.7 million driven by:

- Favorable volume related variance of \$1.1 million
- Unfavorable price related variance of \$0.4 million due to:
 - \$.5 million of Hepatitis C revenue

MEDICAL EXPENSES of \$264.0 million are unfavorable to budget \$7.0 million driven by:

- ❖ Due to claim lag and limited information available, most of WCM medical expenses were estimated based on budget assumptions in July 2019
- **Prescription Drug** expense is unfavorable to budget \$7.5 million due to high utilization during the month
- **Professional Claims** expense is unfavorable to budget \$2.7 million due Proposition 56 and Incurred But Not Reported (IBNR) claims
- **Reinsurance & Other** expense is favorable to budget \$2.0 million due to budgeting of homeless health initiatives
- **Medical Management** expense is favorable to budget \$1.2 million

ADMINISTRATIVE EXPENSES of \$9.6 million are favorable to budget \$1.6 million driven by:

- Salaries & Benefit expenses are favorable to budget \$0.5 million due to open positions
- Other Non-Salary expenses are favorable to budget \$1.1 million

CHANGE IN NET ASSETS is (\$3.2) million for the month, unfavorable to budget \$4.8 million

**CalOptima
OneCare Connect Total
Statement of Revenue and Expenses
For the One Month Ending July 31, 2019**

Month				Year to Date				
Actual	Budget	\$ Variance	% Variance		Actual	Budget	\$ Variance	% Variance
14,257	14,216	41	0.3%	Member Months	14,257	14,216	41	0.3%
				Revenues				
2,288,521	2,816,576	(528,055)	(18.7%)	Medi-Cal Capitation revenue	2,288,521	2,816,576	(528,055)	(18.7%)
16,812,863	16,064,864	747,999	4.7%	Medicare Capitation revenue part C	16,812,863	16,064,864	747,999	4.7%
5,650,693	4,777,278	873,415	18.3%	Medicare Capitation revenue part D	5,650,693	4,777,278	873,415	18.3%
-	-	-	0.0%	Other Income	-	-	-	0.0%
24,752,077	23,658,718	1,093,359	4.6%	Total Operating Revenue	24,752,077	23,658,718	1,093,359	4.6%
				Medical Expenses				
11,563,350	10,860,214	(703,136)	(6.5%)	Provider capitation	11,563,350	10,860,214	(703,136)	(6.5%)
3,271,773	3,486,647	214,874	6.2%	Facilities	3,271,773	3,486,647	214,874	6.2%
727,111	684,119	(42,992)	(6.3%)	Ancillary	727,111	684,119	(42,992)	(6.3%)
1,503,480	1,587,395	83,915	5.3%	Long Term Care	1,503,480	1,587,395	83,915	5.3%
5,716,226	5,473,352	(242,874)	(4.4%)	Prescription drugs	5,716,226	5,473,352	(242,874)	(4.4%)
1,150,294	1,138,265	(12,029)	(1.1%)	Medical management	1,150,294	1,138,265	(12,029)	(1.1%)
149,781	215,442	65,661	30.5%	Other medical expenses	149,781	215,442	65,661	30.5%
24,082,014	23,445,434	(636,580)	(2.7%)	Total Medical Expenses	24,082,014	23,445,434	(636,580)	(2.7%)
670,063	213,284	456,779	214.2%	Gross Margin	670,063	213,284	456,779	214.2%
				Administrative Expenses				
774,127	848,800	74,673	8.8%	Salaries, wages & employee benefits	774,127	848,800	74,673	8.8%
(850)	77,796	78,646	101.1%	Professional fees	(850)	77,796	78,646	101.1%
157,088	242,989	85,901	35.4%	Purchased services	157,088	242,989	85,901	35.4%
50,085	95,860	45,775	47.8%	Printing and postage	50,085	95,860	45,775	47.8%
-	-	-	0.0%	Depreciation & amortization	-	-	-	0.0%
37,129	71,888	34,759	48.4%	Other operating expenses	37,129	71,888	34,759	48.4%
519,792	519,792	-	0.0%	Indirect cost allocation	519,792	519,792	-	0.0%
1,537,371	1,857,125	319,754	17.2%	Total Administrative Expenses	1,537,371	1,857,125	319,754	17.2%
(867,308)	(1,643,841)	776,533	47.2%	Change in Net Assets	(867,308)	(1,643,841)	776,533	47.2%
99.3%	99.1%	1.8%	1.8%	Medical Loss Ratio	99.3%	99.1%	1.8%	1.8%
6.2%	7.8%	1.6%	20.9%	Admin Loss Ratio	6.2%	7.8%	1.6%	20.9%

ONECARE CONNECT INCOME STATEMENT - JULY MONTH:

REVENUES of \$24.8 million are favorable to budget \$1.1 million driven by:

- Favorable volume related variance of \$0.1 million
- Favorable price related variance of \$1.0 million due to favorable rates

MEDICAL EXPENSES of \$24.1 million are unfavorable to budget \$0.6 million driven by:

- Unfavorable volume related variance of \$0.1 million
- Unfavorable price related variance of \$0.6 million

ADMINISTRATIVE EXPENSES of \$1.5 million are favorable to budget \$0.3 million

CHANGE IN NET ASSETS is (\$0.9) million, favorable to budget \$0.8 million

**CalOptima
OneCare
Statement of Revenues and Expenses
For the One Month Ending July 31, 2019**

Month				Year to Date				
Actual	Budget	\$ Variance	% Variance		Actual	Budget	\$ Variance	% Variance
1,530	1,494	36	2.4%	Member Months	1,530	1,494	36	2.4%
				Revenues				
1,240,407	1,065,775	174,632	16.4%	Medicare Part C revenue	1,240,407	1,065,775	174,632	16.4%
577,802	508,708	69,094	13.6%	Medicare Part D revenue	577,802	508,708	69,094	13.6%
1,818,209	1,574,483	243,726	15.5%	Total Operating Revenue	1,818,209	1,574,483	243,726	15.5%
				Medical Expenses				
482,924	422,758	(60,166)	(14.2%)	Provider capitation	482,924	422,758	(60,166)	(14.2%)
319,074	509,111	190,037	37.3%	Inpatient	319,074	509,111	190,037	37.3%
71,901	55,586	(16,315)	(29.4%)	Ancillary	71,901	55,586	(16,315)	(29.4%)
(2,476)	45,673	48,149	105.4%	Skilled nursing facilities	(2,476)	45,673	48,149	105.4%
494,170	505,905	11,735	2.3%	Prescription drugs	494,170	505,905	11,735	2.3%
56,929	49,541	(7,388)	(14.9%)	Medical management	56,929	49,541	(7,388)	(14.9%)
-	10,783	10,783	100.0%	Other medical expenses	-	10,783	10,783	100.0%
1,422,522	1,599,357	176,835	11.1%	Total Medical Expenses	1,422,522	1,599,357	176,835	11.1%
395,688	(24,874)	420,562	1690.8%	Gross Margin	395,688	(24,874)	420,562	1690.8%
				Administrative Expenses				
35,209	54,216	19,007	35.1%	Salaries, wages & employee benefits	35,209	54,216	19,007	35.1%
-	21,480	21,480	100.0%	Professional fees	-	21,480	21,480	100.0%
16,760	17,063	303	1.8%	Purchased services	16,760	17,063	303	1.8%
(8,879)	16,667	25,546	153.3%	Printing and postage	(8,879)	16,667	25,546	153.3%
-	4,738	4,738	100.0%	Other operating expenses	-	4,738	4,738	100.0%
35,589	35,589	-	0.0%	Indirect cost allocation, occupancy expense	35,589	35,589	-	0.0%
78,679	149,753	71,074	47.5%	Total Administrative Expenses	78,679	149,753	71,074	47.5%
317,009	(174,627)	491,636	281.5%	Change in Net Assets	317,009	(174,627)	491,636	281.5%
78.2%	101.6%	23.3%	23.0%	Medical Loss Ratio	78.2%	101.6%	23.3%	23.0%
4.3%	9.5%	5.2%	54.5%	Admin Loss Ratio	4.3%	9.5%	5.2%	54.5%

CalOptima
PACE
Statement of Revenues and Expenses
For the One Month Ending July 31, 2019

Month				Year to Date				
Actual	Budget	\$ Variance	% Variance		Actual	Budget	\$ Variance	% Variance
335	341	(6)	(1.8%)	Member Months	335	341	(6)	-1.8%
				Revenues				
2,069,312	2,050,358	18,954	0.9%	Medi-Cal capitation revenue	2,069,312	2,050,358	18,954	0.9%
458,891	478,895	(20,004)	(4.2%)	Medicare Part C revenue	458,891	478,895	(20,004)	(4.2%)
112,909	125,756	(12,847)	(10.2%)	Medicare Part D revenue	112,909	125,756	(12,847)	(10.2%)
2,641,112	2,655,009	(13,897)	(0.5%)	Total Operating Revenue	2,641,112	2,655,009	(13,897)	(0.5%)
				Medical Expenses				
649,949	893,166	243,217	27.2%	Medical Management	649,949	893,166	243,217	27.2%
1,059,579	502,991	(556,588)	(110.7%)	Claims payments to hospitals	1,059,579	502,991	(556,588)	(110.7%)
420,333	552,727	132,394	24.0%	Professional claims	420,333	552,727	132,394	24.0%
78,837	215,784	136,947	63.5%	Patient transportation	78,837	215,784	136,947	63.5%
214,473	209,777	(4,696)	(2.2%)	Prescription drugs	214,473	209,777	(4,696)	(2.2%)
25,654	19,117	(6,537)	(34.2%)	MLTSS	25,654	19,117	(6,537)	(34.2%)
4,549	6,667	2,118	31.8%	Other Expenses	4,549	6,667	2,118	31.8%
2,453,374	2,400,229	(53,145)	(2.2%)	Total Medical Expenses	2,453,374	2,400,229	(53,145)	(2.2%)
187,738	254,780	(67,042)	-26.3%	Gross Margin	187,738	254,780	(67,042)	-26.3%
				Administrative Expenses				
156,645	149,334	(7,311)	(4.9%)	Salaries, wages & employee benefits	156,645	149,334	(7,311)	(4.9%)
-	153	153	100.0%	Professional fees	-	153	153	100.0%
21,202	18,971	(2,231)	(11.8%)	Purchased services	21,202	18,971	(2,231)	(11.8%)
719	10,533	9,814	93.2%	Printing and postage	719	10,533	9,814	93.2%
2,092	2,116	24	1.1%	Depreciation & amortization	2,092	2,116	24	1.1%
2,412	4,136	1,724	41.7%	Other operating expenses	2,412	4,136	1,724	41.7%
3,642	3,873	231	6.0%	Indirect cost allocation, Occupancy Expense	3,642	3,873	231	6.0%
186,712	189,116	2,404	1.3%	Total Administrative Expenses	186,712	189,116	2,404	1.3%
1,026	65,664	(64,638)	(98.4%)	Change in Net Assets	1,026	65,664	(64,638)	(98.4%)
92.9%	90.4%	(2.5%)	(2.8%)	Medical Loss Ratio	92.9%	90.4%	(2.5%)	(2.8%)
7.1%	7.1%	0.1%	0.8%	Admin Loss Ratio	7.1%	7.1%	0.1%	0.8%

CalOptima
Building 505 - City Parkway
Statement of Revenues and Expenses
For the One Month Ending July 31, 2019

Month				Year to Date				
Actual	Budget	\$ Variance	% Variance		Actual	Budget	\$ Variance	% Variance
				Revenues				
-	-	-	0.0%	Rental Income	-	-	-	0.0%
-	-	-	0.0%	Total Operating Revenue	-	-	-	0.0%
				Administrative Expenses				
42,333	23,101	(19,232)	(83.3%)	Purchase services	42,333	23,101	(19,232)	(83.3%)
164,494	174,725	10,231	5.9%	Depreciation & amortization	164,494	174,725	10,231	5.9%
17,476	15,866	(1,610)	(10.2%)	Insurance expense	17,476	15,866	(1,610)	(10.2%)
96,155	140,162	44,007	31.4%	Repair and maintenance	96,155	140,162	44,007	31.4%
69,524	46,432	(23,092)	(49.7%)	Other Operating Expense	69,524	46,432	(23,092)	(49.7%)
(389,983)	(400,286)	(10,303)	(2.6%)	Indirect allocation, Occupancy	(389,983)	(400,286)	(10,303)	(2.6%)
(0)	-	0	0.0%	Total Administrative Expenses	(0)	-	0	0.0%
0	-	0	0.0%	Change in Net Assets	0	-	0	0.0%

OTHER INCOME STATEMENTS - JULY MONTH:

ONECARE INCOME STATEMENT

CHANGE IN NET ASSETS is \$317.0 thousand, \$491.6 thousand favorable to budget

PACE INCOME STATEMENT

CHANGE IN NET ASSETS is \$1.0 thousand, \$64.6 thousand unfavorable to budget

**CalOptima
Balance Sheet
July 31, 2019**

ASSETS

Current Assets	
Operating Cash	\$294,005,950
Investments	589,942,289
Capitation receivable	299,059,139
Receivables - Other	36,234,453
Prepaid expenses	6,875,890
Total Current Assets	<u>1,226,117,721</u>
Capital Assets	
Furniture & Equipment	37,086,365
Building/Leasehold Improvements	7,090,283
505 City Parkway West	<u>50,464,989</u>
	94,641,636
Less: accumulated depreciation	<u>(47,103,553)</u>
Capital assets, net	<u>47,538,083</u>
Other Assets	
Restricted Deposit & Other	300,000
Homeless Health Reserve	60,000,000
Board-designated assets:	
Cash and Cash Equivalents	13,335,635
Long-term Investments	<u>546,836,157</u>
Total Board-designated Assets	<u>560,171,792</u>
Total Other Assets	<u>620,471,792</u>
TOTAL ASSETS	<u>1,894,127,596</u>
Deferred Outflows	
Pension Contributions	1,242,962
Difference in Experience	3,419,328
Excess Earning	-
Changes in Assumptions	6,428,159
TOTAL ASSETS & DEFERRED OUTFLOWS	<u>1,905,218,045</u>

LIABILITIES & NET POSITION

Current Liabilities	
Accounts Payable	\$8,195,445
Medical Claims liability	728,775,781
Accrued Payroll Liabilities	12,720,471
Deferred Revenue	39,917,963
Deferred Lease Obligations	38,153
Capitation and Withholds	126,031,885
Total Current Liabilities	<u>915,679,698</u>
Other (than pensions) post employment benefits liability	24,825,940
Net Pension Liabilities	23,732,883
Bldg 505 Development Rights	-
TOTAL LIABILITIES	<u>964,238,521</u>
Deferred Inflows	
Change in Assumptions	7,250,505
Excess Earnings	156,330
Net Position	
TNE	94,829,046
Funds in Excess of TNE	<u>838,743,643</u>
TOTAL NET POSITION	<u>933,572,689</u>
TOTAL LIABILITIES, DEFERRED INFLOWS & NET POSITION	<u>1,905,218,045</u>

CalOptima
Board Designated Reserve and TNE Analysis
as of July 31, 2019

Type	Reserve Name	Market Value	Benchmark		Variance	
			Low	High	Mkt - Low	Mkt - High
	Tier 1 - Payden & Rygel	153,459,393				
	Tier 1 - Logan Circle	152,583,250				
	Tier 1 - Wells Capital	152,692,768				
Board-designated Reserve						
		458,735,412	304,878,980	476,182,420	153,856,432	(17,447,008)
TNE Requirement	Tier 2 - Logan Circle	101,436,380	94,829,046	94,829,046	6,607,334	6,607,334
	Consolidated:	560,171,792	399,708,026	571,011,466	160,463,766	(10,839,674)
	<i>Current reserve level</i>	<i>1.96</i>	<i>1.40</i>	<i>2.00</i>		

CalOptima
Statement of Cash Flows
as of July 31, 2019

	Month Ended	Year-To-Date
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	(1,970,181)	(1,970,181)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	567,845	567,845
Changes in assets and liabilities:		
Prepaid expenses and other	(1,088,149)	(1,088,149)
Catastrophic reserves		
Capitation receivable	16,648,176	16,648,176
Medical claims liability	(23,535,170)	(23,535,170)
Deferred revenue	(11,116,801)	(11,116,801)
Payable to providers	17,128,744	17,128,744
Accounts payable	(32,758,283)	(32,758,283)
Other accrued liabilities	245,401	245,401
Net cash provided by/(used in) operating activities	(35,878,418)	(35,878,418)
 GASB 68 CalPERS Adjustments	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Net Asset transfer from Foundation	-	-
Net cash provided by (used in) in capital and related financing activities	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in Investments	(16,235,993)	(16,235,993)
Change in Property and Equipment	(1,481,039)	(1,481,039)
Change in Board designated reserves	(26,384)	(26,384)
Change in Homeless Health reserve	-	-
Net cash provided by/(used in) investing activities	(17,743,416)	(17,743,416)
 NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	(53,621,834)	(53,621,834)
 CASH AND CASH EQUIVALENTS, beginning of period	347,627,784	347,627,784
 CASH AND CASH EQUIVALENTS, end of period	294,005,950	294,005,950

BALANCE SHEET - JULY MONTH:

ASSETS of \$1.9 billion decreased \$52.0 million from June or 2.7%

- **Operating Cash** decreased \$53.6 million primarily due to the quarterly premium tax payment of \$34.2 million and the timing of cash flow needs
- **Investments** increased \$16.2 million due to cash based on the timing of cash flow needs
- **Receivables – Other** decreased \$12.7 million due to timing of Department of Health Care Services (DHCS) tax payments

LIABILITIES of \$964.2 million decreased \$50.0 million from June or 4.9%

- **Accounts Payable** decreased \$34.5 million due to the timing of the quarterly Managed Care Organization (MCO) tax payment
- **Medical Claims Liability** decreased \$23.5 million due to decrease in liability accruals
- **Deferred Revenue** decreased \$11.1 million due to cash transfer for Be Well OC
- **Capitation and Withholds** increased \$17.1 million due to increase in estimated payable for Proposition 56

NET ASSETS total \$933.6 million

**Homeless Health Initiatives and Allocated Funds
Reporting for July 31, 2019**

		Amount
Program Commitment		\$ 100,000,000
Funds Allocated		
	Be Well OC	\$ 11,400,000
	Recuperative Care	11,000,000
	Clinical Field Team Start-up & FQHC's	1,600,000
	Homeless Response Team (CalOptima)	6,000,000
	Homeless Coordination at Hospitals	10,000,000
	Remaining Pledge for new initiatives	<u>40,000,000</u>
Program Commitment Balance, available for new initiatives		<u><u>\$ 60,000,000</u></u>

On June 27, 2019 at a Special Board Meeting, the Board approved four funding categories. This report only lists Board approved projects.

Budget Allocation Changes
Reporting Changes for July 2019

Transfer Month	Line of Business	From	To	Amount	Expense Description	Fiscal Year
July	Medi-Cal	IS Application Development - Maintenance HW/SW (CalOptima Link Software)	IS Application Development - Maintenance HW/SW (Human Resources Corporate Application)	\$32,700	Repurpose \$32,700 from Maintenance HW/SW (CalOptima Link Software) to Maintenance HW/SW (Huma Resources Corporate Application)	2020
July	Medi-Cal	IS Infrastructure - Capital Project (Server 2016 Upgrade)	IS Infrastructure - Capital Projects (505 IDF Upgrade and MDF Switch Upgrade)	\$38,300	Reallocate \$38,300 from Capital Project (Server 2016 Upgrade) to Capital Projects (505 IDF Upgrade and MDF Switch Upgrade)	2020
July	Medi-Cal	IS Infrastructure - Capital Project (LAN Switch Upgrade)	IS Infrastructure - Capital Projects (505 IDF Upgrade and MDF Switch Upgrade)	\$25,700	Reallocate \$25,700 from Capital Project (LAN Switch Upgrades) to Capital Projects (505 IDF Upgrade and MDF Switch Upgrade)	2020

This report summarizes budget transfers between general ledger classes that are greater than \$10,000 and less than \$100,000. This is the result of Board Resolution No. 12-0301-01 which permits the CEO to make budget allocation changes within certain parameters.

**Board of Directors' Finance and Audit Committee Meeting
September 19, 2019**

Information Systems Security Update - Quarter Ending June 30, 2019

Recent and Upcoming Activities:

- During this quarter, there was no downtime caused by security incidents.
 - The Information Security team reported 34 Data Loss Prevention incidents to the Privacy team. Most were due to accidental Internet search with PHI. To address this, Security & Privacy met with the six departments involved to better understand their data search needs and to develop a solution or process change to minimize the accidents.
 - The Annual HIPAA Risk Assessment Mitigation is in progress. One has completed and 11 are in flight.
-

Monthly Executive Report June 2019

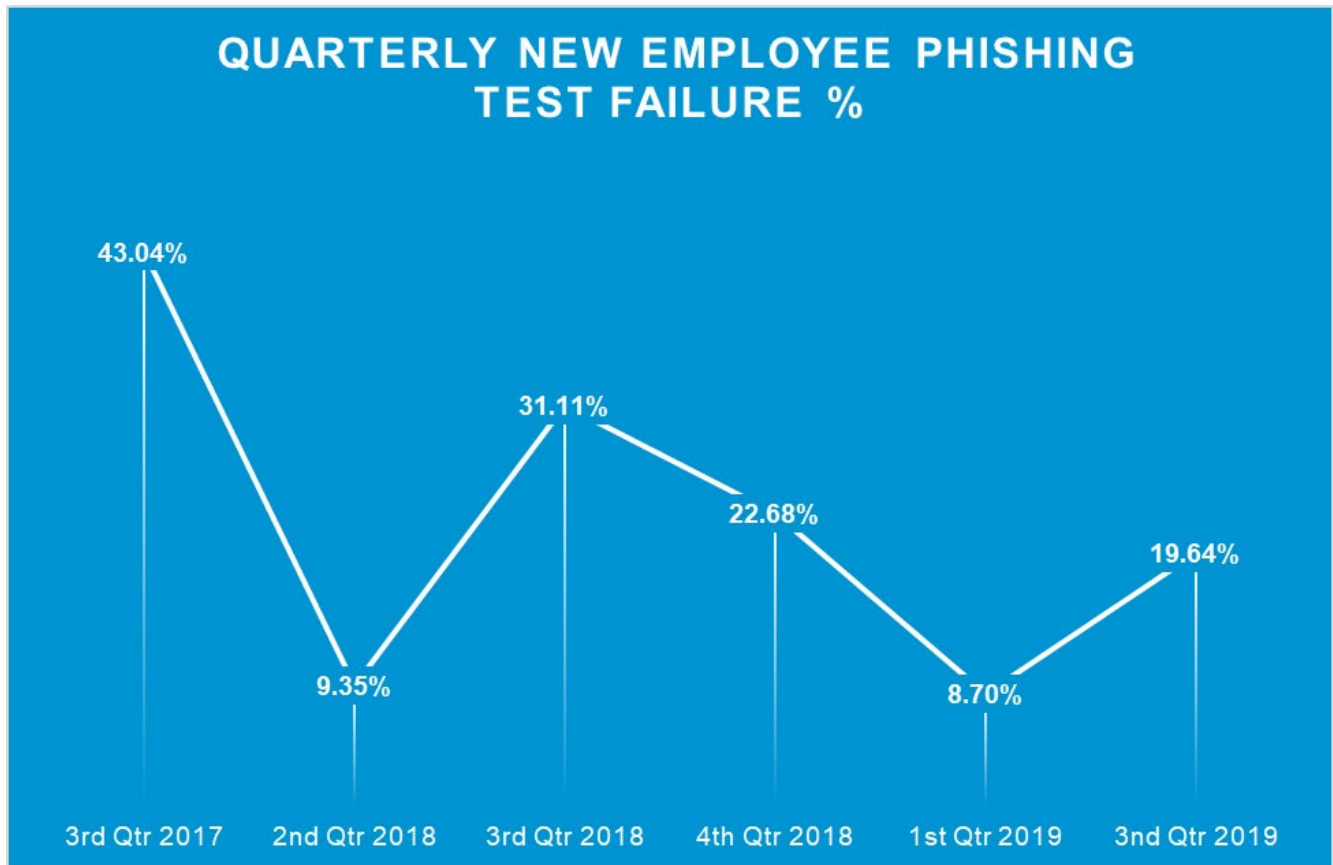
All CalOptima employees are tested with phishing e-mails once per year.

Information Security team conducts phishing simulations as it is an effective way to raise employee's cyber security awareness and test their susceptibility to social engineering phishing and ransomware attacks.

















All new employees are tested with phishing e-mails in the quarter when they are hired.

Information Security team conducts phishing simulations as it is an effective way to raise employee's cyber security awareness and test their susceptibility to social engineering phishing and ransomware attacks.



The following charts show the inbound email traffic through our IronPort appliances with the ultimate goal of delivering clean messages to the intended CalOptima email recipients. The majority of the messages that are stopped are from senders of poor reputation and spammers. Other protection that is applied protects CalOptima against malicious emails containing known viruses, malware and malicious URLs.

Overview > Incoming Mail Summary ✕		
Message Category	%	Messages
 Stopped by Reputation Filtering	77.5%	3.2M
 Stopped as Invalid Recipients	0.0%	192
 Spam Detected	7.3%	297.1k
 Virus Detected	0.0%	70
 Detected by Advanced Malware Protection	0.0%	17
 Messages with Malicious URLs	0.2%	8,043
 Stopped by Content Filter	0.8%	33.5k
 Stopped by DMARC	0.0%	0
 S/MIME Verification/Decryption Failed	0.0%	0
Total Threat Messages:		85.6%
		3.5M
 Marketing Messages	4.2%	173.5k
 Social Networking Messages	0.1%	5,844
 Bulk Messages	2.1%	86.3k
Total Graymails:		6.5%
		265.6k
 S/MIME Verification/Decryption Successful	0.0%	0
 Clean Messages	7.9%	321.2k
Total Attempted Messages:		4.1M

Quarterly Operating and Capital Budget Update

April 1, 2019 to June 30, 2019

**Board of Directors' Finance and Audit Committee Meeting
September 19, 2019**

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Quarterly Operating Budget Update as of June 30, 2019

FY 2018-19 Board Approved Attachment A

Attachment A
Board Approved on June 7, 2018

CalOptima Fiscal Year 2018-19 Budget By Line of Business

	Medi-Cal	OCC	OneCare	PACE	Facilities	Other	Consolidated
Member Months	9,208,308	178,472	15,888	3,708	-		9,406,376
Avg Members	767,359	14,873	1,324	309	-		783,865
Revenues							
Total	<u>\$ 3,105,673,528</u>	<u>\$ 308,598,939</u>	<u>\$ 19,357,913</u>	<u>\$ 26,932,264</u>	<u>\$ -</u>		\$ 3,460,562,644
Medical Costs							
Total	<u>\$ 2,951,687,294</u>	<u>\$ 294,602,890</u>	<u>\$ 18,497,977</u>	<u>\$ 24,731,353</u>	<u>\$ -</u>		\$ 3,289,519,514
MLR	95.0%	95.5%	95.6%	91.8%			95.1%
Gross Margin	\$ 153,986,234	\$ 13,996,049	\$ 859,936	\$ 2,200,911	\$ -		\$ 171,043,130
Administrative Expenses							
Salaries, Wages, & Employee Benefits	\$ 84,796,466	\$ 10,519,014	\$ 480,071	\$ 1,610,850	\$ -		\$ 97,406,401
Professional Fees	\$ 4,281,000	\$ 515,000	\$ 235,200	\$ 2,000	\$ -		\$ 5,033,200
Purchased services	\$ 11,371,714	\$ 3,016,981	\$ 209,100	\$ 252,320	\$ 275,779		\$ 15,125,894
Printing & Postage	\$ 5,079,715	\$ 1,034,420	\$ 158,471	\$ 125,140	\$ -		\$ 6,397,746
Depreciation & Amortization	\$ 5,544,907	\$ 0	\$ -	\$ 25,088	\$ 1,955,214		\$ 7,525,209
Other Operating Expenses	\$ 17,958,288	\$ 924,438	\$ 82,600	\$ 46,304	\$ 2,288,253		\$ 21,299,883
Indirect Cost Allocation, Occupancy	\$ (2,683,095)	\$ 6,688,728	\$ 419,580	\$ 41,588	\$ (4,519,246)		\$ (52,445)
Total	<u>\$ 126,348,995</u>	<u>\$ 22,698,581</u>	<u>\$ 1,585,022</u>	<u>\$ 2,103,290</u>	<u>\$ 0</u>		\$ 152,735,888
ALR	4.1%	7.4%	8.2%	7.8%			4.4%
Operating Income/(Loss)	<u>\$ 27,637,239</u>	<u>\$ (8,702,532)</u>	<u>\$ (725,086)</u>	<u>\$ 97,620</u>	<u>\$ (0)</u>	\$ -	\$ 18,307,242
Investment Income						\$ 5,000,000	\$ 5,000,000
CHANGE IN NET ASSETS	<u>\$ 27,637,239</u>	<u>\$ (8,702,532)</u>	<u>\$ (725,086)</u>	<u>\$ 97,620</u>	<u>\$ (0)</u>	<u>\$ 5,000,000</u>	\$ 23,307,242

Board Action Approval Details and Summary for Administrative Budget

CalOptima Fiscal Year 2018-19 Budget Board Action Approval Summary

Board Action Approval Summary	Medi-Cal	OCC	OneCare	PACE	Facilities	Other	Net Impact
Administrative Expenses							
Salaries, Wages, & Employee Benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Professional Fees	\$ 335,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 335,000
Purchased services	\$ 190,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 190,000
Printing & Postage	\$ (190,000.00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (190,000)
Depreciation & Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Cost Allocation, Occupancy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 335,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 335,000

CalOptima Fiscal Year 2018-19 Budget Board Action Approval Details

Board Action Approval Details:	Medi-Cal	OCC	OneCare	PACE	Facilities	Other	Net Impact
1 Board Date - October 4, 2018							
Report Item No. 9							
From: Reserves	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
To: Professional Fees	\$ 35,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,000
2 Board Date - February 7, 2019							
Report Item No. 6							
From: Reserves	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
To: Professional Fees	\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300,000
3 Board Date - March 7, 2019							
Report Item No. 14							
From: Other Operating Expenses	\$ (500)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (500)
To: Other Operating Expenses	\$ 500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500
4 Board Date - March 7, 2019							
Report Item No. 17							
From: Printing & Postage	\$ (190,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (190,000)
To: Purchased Services	\$ 190,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 190,000

CEO Administrative Budget Allocation Changes

Administrative Budget Allocation Changes Reporting Changes as of June 30, 2019

Transfer Month	Line of Business	From	To	Amount	Expense Description	Fiscal Year
December	MC	Facilities - Office Supplies	Facilities - Computer Supply/Minor Equipment	\$60,000	Reallocate \$60,000 from office supplies to computer supply/minor equipment to fund furniture needs of the staff	2019
December	MC	Strategic Development - Professional Fees (Covered CA Consulting)	Strategic Development - Professional Fees (Strategic Planning Consulting)	\$50,000	Repurpose from professional fees (Covered CA Consulting) to professional fees (Strategic Planning Consulting)	2019
January	MC	IS Application Development - Training & Seminars	IS Application Development - Maintenance HW/SW	\$11,000	Reallocate \$11,000 from training & seminars to maintenance HW/SW to pay for additional Tableau licenses	2019
June	MC	Human Resources - Purchased Services (Electronic Files)	Human Resources - Purchased Services (Benefits Broker)	\$16,500	Repurpose \$16,500 from purchased services (Electronic Files) to purchased services (Benefits Broker)	2019
June	MC	Quality Analytics - Purchased Services (Practitioner Survey PCP Experience)	Quality Analytics - Purchased Services (Provider Coaching)	\$30,000	Repurpose \$30,000 from purchased services (Practitioner Survey PCP Experience) to purchased services (Provider Coaching)	2019

Board Resolution No. 12-0301-01 permits the CEO to make budget allocation changes within certain parameters. This report summarizes budget transfers between general ledger classes that are greater than \$10,000 and less than \$100,000.

FY 2018-19 Revised Attachment A

Attachment A - Revised

CalOptima Fiscal Year 2018-19 Budget By Line of Business

	Medi-Cal	OCC	OneCare	PACE	Facilities	Other	Consolidated
Member Months	9,208,308	178,472	15,888	3,708	-		9,406,376
Avg Members	767,359	14,873	1,324	309	-		783,865
Revenues							
Total	<u>\$ 3,105,673,528</u>	<u>\$ 308,598,939</u>	<u>\$ 19,357,913</u>	<u>\$ 26,932,264</u>	<u>\$ -</u>		<u>\$ 3,460,562,644</u>
Medical Costs							
Total	<u>\$ 2,951,687,294</u>	<u>\$ 294,602,890</u>	<u>\$ 18,497,977</u>	<u>\$ 24,731,353</u>	<u>\$ -</u>		<u>\$ 3,289,519,514</u>
MLR	95.0%	95.5%	95.6%	91.8%			95.1%
Gross Margin	\$ 153,986,234	\$ 13,996,049	\$ 859,936	\$ 2,200,911	\$ -		\$ 171,043,130
Administrative Expenses							
Salaries, Wages, & Employee Benefits	\$ 84,796,466	\$ 10,519,014	\$ 480,071	\$ 1,610,850	\$ -		\$ 97,406,401
Professional Fees	\$ 4,616,000	\$ 515,000	\$ 235,200	\$ 2,000	\$ -		\$ 5,368,200
Purchased services	\$ 11,561,714	\$ 3,016,981	\$ 209,100	\$ 252,320	\$ 275,779		\$ 15,315,894
Printing & Postage	\$ 4,889,715	\$ 1,034,420	\$ 158,471	\$ 125,140	\$ -		\$ 6,207,746
Depreciation & Amortization	\$ 5,544,907	\$ 0	\$ -	\$ 25,088	\$ 1,955,214		\$ 7,525,209
Other Operating Expenses	\$ 17,958,288	\$ 924,438	\$ 82,600	\$ 46,304	\$ 2,288,253		\$ 21,299,883
Indirect Cost Allocation, Occupancy	\$ (2,683,095)	\$ 6,688,728	\$ 419,580	\$ 41,588	\$ (4,519,246)		\$ (52,445)
Total	<u>\$ 126,683,995</u>	<u>\$ 22,698,581</u>	<u>\$ 1,585,022</u>	<u>\$ 2,103,290</u>	<u>\$ 0</u>		<u>\$ 153,070,888</u>
ALR	4.1%	7.4%	8.2%	7.8%			4.4%
Operating Income/(Loss)	<u>\$ 27,302,239</u>	<u>\$ (8,702,532)</u>	<u>\$ (725,086)</u>	<u>\$ 97,620</u>	<u>\$ (0)</u>	\$ -	<u>\$ 17,972,242</u>
Investment Income						\$ 5,000,000	\$ 5,000,000
CHANGE IN NET ASSETS	<u>\$ 27,302,239</u>	<u>\$ (8,702,532)</u>	<u>\$ (725,086)</u>	<u>\$ 97,620</u>	<u>\$ (0)</u>	<u>\$ 5,000,000</u>	<u>\$ 22,972,242</u>

Personnel Budget Summary

FY 2018 - 19 Personnel Summary

FY 2018 - 19 Personnel (FTE) as of June 30, 2019				
Line of Business	Filled	Open	Total	Vacancy %
Medi-Cal	1,005.7	130.8	1,136.5	11.5%
OC	5.0	1.0	6.0	16.7%
OCC	217.1	18.0	235.1	7.7%
PACE	81.0	9.5	90.5	10.5%
Total	1,308.8	159.3	1,468.0	10.8%

Notes:

FTE count is based on position control reconciliation.

FTE count includes both medical and administrative positions.

Administrative Expense Summary by Category

Administrative Expense Summary by Category as of June 30, 2019

Consolidated Administrative Expense Summary

LOB	June MTD		Variance		YTD		Variance		FY 2019
	Actual	Budget	\$	%	Actual	Budget	\$	%	Budget
MC	4,628,317	3,344,327	(1,283,989)	-38%	31,889,259	38,991,215	7,101,956	18%	38,991,215
OC	86,700	57,114	(29,586)	-52%	496,608	685,371	188,763	28%	685,371
OCC	627,135	457,570	(169,565)	-37%	3,810,330	5,490,839	1,680,509	31%	5,490,839
PACE	74,262	35,480	(38,781)	-109%	378,239	425,764	47,525	11%	425,764
Total	\$ 5,416,413	\$ 3,894,492	\$ (1,521,921)	-39%	\$36,574,437	\$45,593,189	\$ 9,018,752	20%	\$45,593,189

Professional Fees

LOB	June MTD		Variance		YTD		Variance		FY 2019
	Actual	Budget	\$	%	Actual	Budget	\$	%	Budget
MC	632,389	470,326	(162,063)	-34%	2,700,775	4,581,000	1,880,225	41%	4,581,000
OC	24,873	19,600	(5,273)	-27%	186,207	235,200	48,993	21%	235,200
OCC	35,167	42,917	7,750	18%	273,473	515,000	241,527	47%	515,000
PACE	303	167	(137)	-82%	7,164	2,000	(5,164)	-258%	2,000
Total	\$ 692,732	\$ 533,009	\$ (159,723)	-30%	\$ 3,167,619	\$ 5,333,200	\$ 2,165,581	41%	\$ 5,333,200

Purchased Services

LOB	June MTD		Variance		YTD		Variance		FY 2019
	Actual	Budget	\$	%	Actual	Budget	\$	%	Budget
MC	1,336,769	996,566	(340,203)	-34%	9,735,234	11,561,714	1,826,480	16%	11,561,714
OC	39,580	17,425	(22,155)	-127%	198,182	209,100	10,918	5%	209,100
OCC	259,337	251,415	(7,922)	-3%	2,032,332	3,016,981	984,649	33%	3,016,981
PACE	61,730	21,027	(40,704)	-194%	214,722	252,320	37,598	15%	252,320
Total	\$ 1,697,417	\$ 1,286,433	\$ (410,984)	-32%	\$12,180,470	\$15,040,115	\$ 2,859,645	19%	\$15,040,115

Printing and Postage

LOB	June MTD		Variance		YTD		Variance		FY 2019
	Actual	Budget	\$	%	Actual	Budget	\$	%	Budget
MC	683,307	384,144	(299,163)	-78%	4,163,448	4,914,715	751,267	15%	4,914,715
OC	22,541	13,206	(9,335)	-71%	111,430	158,471	47,041	30%	158,471
OCC	161,792	86,202	(75,591)	-88%	828,461	1,034,420	205,959	20%	1,034,420
PACE	35,502	10,428	(25,074)	-240%	109,325	125,140	15,815	13%	125,140
Total	\$ 903,143	\$ 493,980	\$ (409,163)	-83%	\$ 5,212,665	\$ 6,232,746	\$ 1,020,081	16%	\$ 6,232,746

Other Operating Expenses

LOB	June MTD		Variance		YTD		Variance		FY 2019
	Actual	Budget	\$	%	Actual	Budget	\$	%	Budget
MC	1,975,852	1,493,292	(482,560)	-32%	15,289,803	17,933,786	2,643,983	15%	17,933,786
OC	(294)	6,883	7,177	104%	789	82,600	81,811	99%	82,600
OCC	170,838	77,037	(93,801)	-122%	676,063	924,438	248,375	27%	924,438
PACE	(23,275)	3,859	27,133	703%	47,027	46,304	(723)	-2%	46,304
Total	\$ 2,123,122	\$ 1,581,071	\$ (542,051)	-34%	\$16,013,683	\$18,987,128	\$ 2,973,445	16%	\$18,987,128

Quarterly Capital Budget Update as of June 30, 2019

FY 2018-19 Capital Attachment A

Attachment A

Fiscal Year 2018-19 Capital Budget by Project

Board Approved on June 7, 2018

INFRASTRUCTURE	HARDWARE	SOFTWARE	PROFESSIONAL FEES	TOTAL CAPITAL
Disaster Recovery	-	-	-	-
Security	-	-	20,000	20,000
Upgrades/Replacements	300,000	-	-	300,000
Network	903,500	30,000	42,000	975,500
Storage	275,000	-	23,000	298,000
TOTAL INFRASTRUCTURE	\$ 1,478,500	\$ 30,000	\$ 85,000	\$ 1,593,500

APPLICATIONS MANAGEMENT	HARDWARE	SOFTWARE	PROFESSIONAL FEES	TOTAL CAPITAL
Clinical Editing Solution RFP and Implementation	-	-	100,000	100,000
HPA Robots VM	76,000	-	-	76,000
Facets Workflow Implementation	-	-	100,000	100,000
Workforce Management	-	180,000	60,000	240,000
HN Credentialing Data	-	15,000	5,000	20,000
CAQH Proview and CAQH Manager	-	8,600	5,000	13,600
ABMS Solution Interface	-	15,000	5,000	20,000
Cactus Facets Interface	-	-	100,000	100,000
Altruista - Change in Enterprise Analytics	-	-	15,000	15,000
HCC Risk Adjustment RFP	25,000	250,000	75,000	350,000
TOTAL APPLICATIONS MANAGEMENT	\$ 101,000	\$ 468,600	\$ 465,000	\$ 1,034,600

APPLICATIONS DEVELOPMENT	HARDWARE	SOFTWARE	PROFESSIONAL FEES	TOTAL CAPITAL
DW Expansion	-	-	750,000	750,000
BI360 Budget Tool Implementation	-	65,000	39,000	104,000
DayForce Recruiting Module	-	22,000	10,000	32,000
CalOptima Member Portal	-	-	300,000	300,000
CalOptima.org website redesign	-	-	240,000	240,000
Medication Therapy Management (MTM) RFP	100,000	175,000	50,000	325,000
Provider Portal RFP	50,000	700,000	300,000	1,050,000
Texting Software for Member/Provider Campaigns (ED, DM, QI)	-	175,000	25,000	200,000
Electronic HR Employee Files	60,000	150,000	80,000	290,000
Legal File Tracking Software System	-	90,000	10,000	100,000
Online Provider Directory Attestation	-	-	150,000	150,000
Gaps in Care (and other) outbound "call" campaign solution.	-	200,000	-	200,000
Provider Data Management Solution	-	400,000	100,000	500,000
TOTAL APPLICATIONS DEVELOPMENT	\$ 210,000	\$ 1,977,000	\$ 2,054,000	\$ 4,241,000

505 BUILDING IMPROVEMENTS	BUILDING	EQUIPMENT	PROFESSIONAL FEES	TOTAL CAPITAL
Xerox Capital Lease	125,156	-	-	125,156
Sound Recording Conf Room 108	50,000	-	-	50,000
Claims Training Room	18,000	-	-	18,000
10th Floor Tenant Improvement	1,865,000	270,000	150,000	2,285,000
New Emergency Electrical Panels	8,000	-	-	8,000
New Fill for Cooling Tower	25,000	-	-	25,000
Replace Cast Iron Pipes	110,000	-	-	110,000
Replace Master Control Center	130,000	-	-	130,000
Convert remaining pneumatic	45,200	-	-	45,200
TOTAL 505 BUILDING IMPROVEMENTS	\$ 2,376,356	\$ 270,000	\$ 150,000	\$ 2,796,356

PACE	EQUIPMENT	PROFESSIONAL FEES	TOTAL CAPITAL
Optometry Equipment	25,000	-	25,000
Workstation Expansion Project	97,000	15,000	112,000
Patio Shade	4,000	-	4,000
Dishwasher	11,000	-	11,000
EKG Machine	4,300	-	4,300
TOTAL PACE	\$ 141,300	\$ 15,000	\$ 156,300

TOTAL FY19 CAPITAL BUDGET	\$ 4,307,156	\$ 2,745,600	\$ 2,769,000	\$ 9,821,756
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Board Action and CEO Approval Details for Capital Projects

Board Approved Action Details	Project Description	HARDWARE	SOFTWARE	PROFESSIONAL FEES	TOTAL CAPITAL
1 From: Board Date - December 6, 2018 Report Item No. 14					-
To: PACE	Entry Gate at PACE Center	5,024	-	-	5,024
To: 505 Building Improvements	Audio-Visual Equipment	47,975	-	-	47,975
To: 505 Building Improvements	In-House Security Camera	21,977	-	-	21,977
To: Applications Management	Facets and Cactus Upgrades		470,000	-	470,000
2 From: Board Date - February 7, 2019 Report Item No. 16	February 7, 2019				-
To: 505 Building Improvements	Member Service Lobby	43,250	-	-	43,250
TOTAL Board Approved Actions		\$ 118,226	\$ 470,000	\$ -	\$ 588,226

CEO Approved Action Details	Project Description	HARDWARE	SOFTWARE	PROFESSIONAL FEES	TOTAL CAPITAL
1 Date - August 28, 2018					-
From: Application Development	Provider Data Management Solution	-	(9,915)	-	(9,915)
To: Application Development	Compliance Verification Software	-	9,915	-	9,915
2 Date - October 17, 2018					-
From: 505 Building Improvements	Convert remaining pneumatic	(9,800)	-	-	(9,800)
To: 505 Building Improvements	Conference Room Projector	9,800	-	-	9,800
3 Date - November 6, 2018					-
From: 505 Building Improvements	8th Floor HR Remodel	-	-	-	-
To: 505 Building Improvements	Replace Master Control Center	22,500	-	-	22,500
4 Date - November 13, 2018					-
From: PACE	Workstation Expansion Project	(2,826)	-	-	(2,826)
To: PACE	Commercial Freezer	2,826	-	-	2,826
5 Date - December 17, 2018					-
From: PACE	Workstation Expansion Project	(1,962)	-	-	(1,962)
To: PACE	Optometry Equipment	1,962	-	-	1,962
6 Date - June 12, 2019					-
From: PACE	Workstation Expansion Project	(1,200)	-	-	(1,200)
To: PACE	Optometry Equipment	1,200	-	-	1,200
TOTAL CEO Approved Actions		\$ 22,500	\$ -	\$ -	\$ 22,500

CEO Capital Budget Allocation Changes

Revised Capital Budget Allocation Changes Reporting Changes as of June 30, 2019

Transfer Month	Line of Business	From	To	Amount	Expense Description	Fiscal Year
November	MC	Facilities - Capital Project (8th Floor HR Remodel)	Facilities - Capital Project (Replace Master Control Center)	\$22,500	Reallocate \$22,500 from Capital Project (8th Floor HR Remodel) to Capital Project (Replace Master Control Center)	2019
June*	MC	Facilities - Capital Project (8th Floor HR Remodel)	Facilities - Capital Project (Upgrade Card Access System)	\$77,000	Reallocate \$77,000 from Capital Project (8th Floor HR Remodel) to Capital Project (Upgrade Card Access System)	2018

Board Resolution No. 12-0301-01 permits the CEO to make budget allocation changes within certain parameters. This report summarizes budget transfers between general ledger classes that are greater than \$10,000 and less than \$100,000.

* June 2019 Capital Budget Allocation Changes report was revised to reflect the allocated amount from \$80,000 to \$77,000.

FY 2018-19 Revised Capital Attachment A

Revised Attachment A

Fiscal Year 2018-19 Capital Budget by Project

INFRASTRUCTURE	HARDWARE	SOFTWARE	PROFESSIONAL FEES	TOTAL CAPITAL
Disaster Recovery	-	-	-	-
Security	-	-	20,000	20,000
Upgrades/Replacements	300,000	-	-	300,000
Network	903,500	30,000	42,000	975,500
Storage	275,000	-	23,000	298,000
TOTAL INFRASTRUCTURE	\$ 1,478,500	\$ 30,000	\$ 85,000	\$ 1,593,500

APPLICATIONS MANAGEMENT	HARDWARE	SOFTWARE	PROFESSIONAL FEES	TOTAL CAPITAL
Clinical Editing Solution RFP and Implementation	-	-	100,000	100,000
HPA Robots VM	76,000	-	-	76,000
Facets Workflow Implementation	-	-	100,000	100,000
Workforce Management	-	180,000	60,000	240,000
HN Credentialing Data	-	15,000	5,000	20,000
CAQH Proview and CAQH Manager	-	8,600	5,000	13,600
ABMS Solution Interface	-	15,000	5,000	20,000
Cactus Facets Interface	-	-	100,000	100,000
Altruista - Change in Enterprise Analytics	-	-	15,000	15,000
HCC Risk Adjustment RFP	25,000	250,000	75,000	350,000
Facets and Cactus Upgrades	-	470,000	-	470,000
TOTAL APPLICATIONS MANAGEMENT	\$ 101,000	\$ 938,600	\$ 465,000	\$ 1,504,600

APPLICATIONS DEVELOPMENT	HARDWARE	SOFTWARE	PROFESSIONAL FEES	TOTAL CAPITAL
DW Expansion	-	-	750,000	750,000
BI360 Budget Tool Implementation	-	65,000	39,000	104,000
DayForce Recruiting Module	-	22,000	10,000	32,000
CalOptima Member Portal	-	-	300,000	300,000
CalOptima.org website redesign	-	-	240,000	240,000
Medication Therapy Management (MTM) RFP	100,000	175,000	50,000	325,000
Provider Portal RFP	50,000	700,000	300,000	1,050,000
Texting Software for Member/Provider Campaigns (ED, DM, QI)	-	175,000	25,000	200,000
Electronic HR Employee Files	60,000	150,000	80,000	290,000
Legal File Tracking Software System	-	90,000	10,000	100,000
Online Provider Directory Attestation	-	-	150,000	150,000
Gaps in Care (and other) outbound "call" campaign solution.	-	200,000	-	200,000
Provider Data Management Solution	-	390,085	100,000	490,085
Compliance Verification Software	-	9,915	-	9,915
TOTAL APPLICATIONS DEVELOPMENT	\$ 210,000	\$ 1,977,000	\$ 2,054,000	\$ 4,241,000

505 BUILDING IMPROVEMENTS	BUILDING	EQUIPMENT	PROFESSIONAL FEES	TOTAL CAPITAL
Xerox Capital Lease	125,156	-	-	125,156
Sound Recording Conf Room 108	50,000	-	-	50,000
Claims Training Room	18,000	-	-	18,000
10th Floor Tenant Improvement	1,865,000	270,000	150,000	2,285,000
New Emergency Electrical Panels	8,000	-	-	8,000
New Fill for Cooling Tower	25,000	-	-	25,000
Replace Cast Iron Pipes	110,000	-	-	110,000
Replace Master Control Center	152,500	-	-	152,500
Convert remaining pneumatic	45,200	-	-	45,200
Conference Room Projector	9,800	-	-	9,800
Audio-Visual Equipment	47,975	-	-	47,975
In-House Security Camera	21,977	-	-	21,977
Member Service Lobby	43,250	-	-	43,250
TOTAL 505 BUILDING IMPROVEMENTS	\$ 2,521,858	\$ 270,000	\$ 150,000	\$ 2,941,858

PACE	EQUIPMENT	PROFESSIONAL FEES	TOTAL CAPITAL
Optometry Equipment	28,162	-	28,162
Workstation Expansion Project	91,012	15,000	106,012
Patio Shade	4,000	-	4,000
Dishwasher	11,000	-	11,000
EKG Machine	4,300	-	4,300
Commercial Freezer	2,826	-	2,826
Entry Gate at PACE Center	5,024	-	5,024
TOTAL PACE	\$ 146,324	\$ 15,000	\$ 161,324

TOTAL FY19 REVISED CAPITAL BUDGET	\$ 4,457,682	\$ 3,215,600	\$ 2,769,000	\$ 10,442,282
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Informational: FY 2019-20 Capital Attachment A with Item Details

Attachment A

Fiscal Year 2019-20 Capital Budget by Project

INFRASTRUCTURE	HARDWARE	SOFTWARE	PROFESSIONAL FEES	TOTAL CAPITAL
Network - 505 Building IDF Containers and Fabric Blade Upgrade	1,480,000	-	-	1,480,000
Network - IPS Upgrades for 505 Building and OCIT Security Devices	207,000	-	25,000	232,000
Network - 505 Building and PACE Network Access Control Devices Upgrade	145,000	-	-	145,000
Network - 505 Building MDF Network Core Switch Upgrade	300,700	-	50,000	350,700
Network - Network Time Protocol Appliance Upgrade	20,500	-	-	20,500
Security - Identity and Access Management	50,000	150,000	50,000	250,000
Server - Continuous Integration Test Automation	100,000	-	-	100,000
Server - FTP Automation File Transfer Software	-	25,000	5,000	30,000
Server - Infrastructure for DMZ (Public and Private Sites) Scaling	75,000	-	-	75,000
Server - PACE Server Refresh	50,000	-	-	50,000
Server - Citrix Upgrade	-	78,000	-	78,000
Server - Commvault Upgrade	-	20,000	-	20,000
Server - Server 2016 Upgrade	300,000	-	-	300,000
Telephony - Customer Service Satisfaction Survey Upgrade	25,000	20,000	5,000	50,000
TOTAL INFRASTRUCTURE	\$ 2,753,200	\$ 293,000	\$ 135,000	\$ 3,181,200

APPLICATIONS MANAGEMENT	HARDWARE	SOFTWARE	PROFESSIONAL FEES	TOTAL CAPITAL
ADT RealTime Notifications	-	1,400,000	100,000	1,500,000
Hospital Data Sharing System	-	400,000	606,250	1,006,250
Hierarchical Condition Category Risk Adjustment Factor	-	781,848	-	781,848
EHR System	-	500,000	32,500	532,500
Predictive Modeling	-	300,000	75,000	375,000
Telehealth	-	250,000	100,000	350,000
Credentialing Management	-	76,000	122,850	198,850
TOTAL APPLICATIONS MANAGEMENT	\$ -	\$ 3,707,848	\$ 1,036,600	\$ 4,744,448

APPLICATIONS DEVELOPMENT	HARDWARE	SOFTWARE	PROFESSIONAL FEES	TOTAL CAPITAL
Provider Portal Continuation	-	-	750,000	750,000
Alternative to Microsoft Access Operational Applications	50,000	15,000	500,000	565,000
Employee Learning Management System	-	110,000	25,000	135,000
Data Warehouse and Business Intelligence Governance and Catalog Tool	-	75,000	2,500	77,500
Threshold Language In Memory Translation Software	5,000	60,000	2,000	67,000
Vendor and Employee Exclusion Monitoring	-	30,000	-	30,000
Code Secure Software Veracode Static Analysis	-	24,000	-	24,000
Employee Emergency Notification System	-	10,000	2,000	12,000
Great Plains Accounting Automated Integration	-	5,000	1,000	6,000
TOTAL APPLICATIONS DEVELOPMENT	\$ 55,000	\$ 329,000	\$ 1,282,500	\$ 1,666,500

505 BUILDING IMPROVEMENTS	BUILDING	EQUIPMENT	PROFESSIONAL FEES	TOTAL CAPITAL
Main Cooling Tower Replacement	881,000	-	-	881,000
New Roof Membrane	200,000	-	-	200,000
Annual Xerox Capital Lease	125,000	-	-	125,000
Conference Room 910 Upgrades	25,000	-	-	25,000
Replace HVAC Unit for Intermediate Distribution Frame Room	25,000	-	-	25,000
Replace Magnetic Starters for Motor Control Center in Basement	25,000	-	-	25,000
Main Fire Line Replacement	25,000	-	-	25,000
Replace Conference Room Audio Visual Equipment	20,000	-	-	20,000
Security Cameras	20,000	-	-	20,000
6th Floor Lunchroom Remodel	13,000	-	-	13,000
TOTAL 505 BUILDING IMPROVEMENTS	\$ 1,359,000	\$ -	\$ -	\$ 1,359,000

PACE	EQUIPMENT	PROFESSIONAL FEES	TOTAL CAPITAL
Food Service Kitchen	22,500	2,500	25,000
Dishwasher	11,000	-	11,000
Patio Upgrade	10,000	-	10,000
Electronic Patient Board	4,000	3,500	7,500
TOTAL PACE	\$ 47,500	\$ 6,000	\$ 53,500

TOTAL FY19 NEW CAPITAL BUDGET	\$ 4,214,700	\$ 4,329,848	\$ 2,460,100	\$ 11,004,648
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Quarterly Purchasing Report

FY 2018-19 Fourth Quarter Purchasing Report

Quarterly Purchase Report
April 1, 2019 through June 30, 2019
Completed Major Commitments over \$100,000

<i>Nature of Services</i>	<i>FY19 Q4 Budgeted Current</i>	<i>Purchase or Contract Highlights</i>	<i>Bidding Outcome</i>	<i>Previous Vendor</i>	<i>Contract Amount</i>	<i>Spent Year 2019</i>	<i>Remaining Amount on Contract</i>	<i>Expires</i>
Insurance Brokerage & Advisory	\$ 110,000	Woodruff- Sawyer & Co.	Bid Exception	Renewal	\$ 110,000	\$ -	\$ 110,000	06/30/20
Extreme Network Hardware	\$ 119,232	Integration Partners	Two bidders	New	\$ 119,232	\$ -	\$ 119,232	07/28/19
PACE Transport	\$ 133,000	Secure Transportation Company Inc	Renewal		\$ 133,000	\$ -	\$ 133,000	06/30/20
Data Masking Software and Services	\$ 135,900	Informatica LLC	Five bidders	New	\$ 135,900	\$ -	\$ 135,900	06/27/21
Internal Audit Services	\$ 171,500	Moss Adams LLP	Renewal		\$ 171,500	\$ 26,678	\$ 144,822	05/20/20
Microsoft Support Services	\$ 197,840	Microsoft Services	Bid Exception	Microsoft	\$ 197,840	\$ -	\$ 197,840	04/21/20
Hewlett Packard Hardware	\$ 201,903	Nth Generation Computing Inc	N/A	Hewlett Packard	\$ 201,903	\$ -	\$ 201,903	07/19/19
Provider Network Consulting Services	\$ 300,000	Pacific Health Consulting Group	Three bidders	New	\$ 300,000	\$ -	\$ 300,000	12/31/19
MCG Care Guidelines Software	\$ 896,398	MCG Health LLC	Renewal		\$ 896,398	\$ -	\$ 896,398	03/31/19
Payroll Services	\$ 314,000	Ceridian	Renewal		\$ 314,000	\$ 310,981	\$ 3,019	06/30/19
MDF Hardware Upgrade	\$ 335,892	Integration Partners	Two bidders	New	\$ 335,892	\$ -	\$ 335,892	07/28/19
RAPS Consulting Services	\$ 439,680	Inovalon Inc	Bid Exception	Inovalon	\$ 439,680	\$ -	\$ 439,680	03/25/22
Hewlett Packard Maintenance Services	\$ 442,978	Nth Generation Computing Inc	Renewal		\$ 442,978	\$ -	\$ 442,978	06/30/20
Member Satisfaction Surveys	\$ 360,238	DataStat	Renewal		\$ 455,652	\$ 287,361	\$ 168,291	04/30/21
Claims FWA Services	\$ 514,800	LexisNexis Risk Solutions FL Inc.	Renewal		\$ 514,800	\$ 514,800	\$ -	11/05/20

FY 2018-19 Fourth Quarter Purchasing Report (Cont'd)

Quarterly Purchase Report
April 1, 2019 through June 30, 2019
Completed Major Commitments over \$100,000

<i>Nature of Services</i>	<i>FY19 Q4 Budgeted Current</i>	<i>Purchase or Contract Highlights</i>	<i>Bidding Outcome</i>	<i>Previous Vendor</i>	<i>Contract Amount</i>	<i>Spent Year 2019</i>	<i>Remaining Amount on Contract</i>	<i>Expires</i>
PACE Lease	\$ 531,471	Young S Kim & Soon Y Kim	Renewal	Lease	\$ 531,471	\$ 43,640	\$ 487,831	06/30/20
IDF Fabric Upgrade	\$ 731,702	Integration Partners	Two bidders	New	\$ 731,702	\$ -	\$ 731,702	07/28/19
IDF Non-Fabric Upgrade	\$ 777,005	Integration Partners	Two bidders	New	\$ 777,005	\$ -	\$ 777,005	07/26/19
Fulfillment Services	\$ 1,048,460	Dome Printing	Renewal		\$ 1,048,460	\$ 960,974	\$ 87,486	07/16/19
10th Floor Contractor Services	\$ 1,340,000	Seashore Construction Inc	Four bidders	New	\$ 1,340,000	\$ -	\$ 1,340,000	12/31/19
WebPortal and Development Services	\$ 1,897,500	Teksystems Inc.	Renewal		\$ 1,897,500	\$ -	\$ 1,897,500	12/31/20
Recuperative Care Services	\$ 10,000,000	County of Orange Health Care Agency	Board Action	New	\$ 10,000,000	\$ 612,880	\$ 9,387,120	06/30/19

FY 2018-19 Fourth Quarter Purchasing Report (Cont'd)

Quarterly Purchasing Report
April 1, 2019 through June 30, 2019
Major Commitments Greater than \$100,000 in Process

<i>Nature of Services</i>	<i>Procurement Status</i>
<u>508 Remediation Services</u> 18-037	RFP issued 03/01/18 Seven proposals received Staff selected Netcentric
<u>After hours and Nurse Triage Services</u> 19-012	RFP issued 12/06/18 Five proposals received Staff selected CareNet
<u>Provider Network Consulting Services</u> 19-015	RFP issued 11/26/18 Three proposals received Staff selected HMA, Board selected PHCG
<u>NCQA Consulting Services</u> 19-023	RFP issued 12/17/18 Five proposals received Staff selected Mihalik Group
<u>Print and Fulfillment Services</u> 19-027	RFP issued 01/09/19 Nine proposals received Staff is evaluating proposals
<u>Shape Your Life Program Evaluation Services</u> 19-032	RFP issued 02/08/19 Four proposals received Staff selected Harder and Company
<u>Strategic Plan Consulting Services</u> 19-034	RFP issued 02/20/19 Seven proposals received Staff selected Chapman Consulting
<u>CPE (Compliance Program Effectiveness) Auditor</u> 19-035	RFP issued 03/07/19 Four proposals received Staff selected MPDCS
<u>HEDIS Auditing Services</u> 19-037	RFP issued 03/19/19 Four proposals received Staff selected Advent Advisory Group
<u>Temporary Staffing Services</u> 19-010	RFP issued 11/21/18 20 proposals received Staff is evaluating the best and final offers

FY 2018-19 Fourth Quarter Purchasing Report (Cont'd)

Quarterly Purchasing Report
April 1, 2019 through June 30, 2019
Major Commitments Greater than \$100,000 in Process

<i>Nature of Services</i>	<i>Procurement Status</i>
<u>Mobile Texting Software Services</u> 19-020	RFP issued 04/16/19 Eight proposals received Staff is evaluating proposals
<u>Print and Mailing Services</u> 19-027	RFP issued 01/05/19 Nine proposals received Staff is awaiting the results of the compliance audit
<u>Third Party Liability and Subrogation Services</u> 19-030	RFP issued 04/18/19 Three proposals received Staff is scheduling interviews
<u>Over the Counter (OTC) Benefit Services</u> 19-041	RFP issued 04/01/19 Two proposals received Staff selected Convey Health Solutions
<u>General Contractor Services (10th Floor)</u> 19-042	ITB issued 04/10/19 Four proposals received Staff is evaluating proposals
<u>Copy Machine Leasing Services</u> 19-043	RFP issued 05/27/19 Six proposals received Staff is evaluating proposals
<u>Medical Records Copying Services</u> 19-047	RFP issued 04/29/19 Four proposals received Staff is awaiting the results of the compliance audit
<u>Hospital Data Exchange Services</u> 20-002	SOW under development
<u>Internal Auditing Services</u> 20-004	SOW under development

**Board of Directors' Finance and Audit Committee Meeting
September 19, 2019**

Shared Risk Pool Performance Update

Medi-Cal: As of June 30, 2019, Medi-Cal has five (5) Shared Risk Groups (SRGs).

Effective Dates:

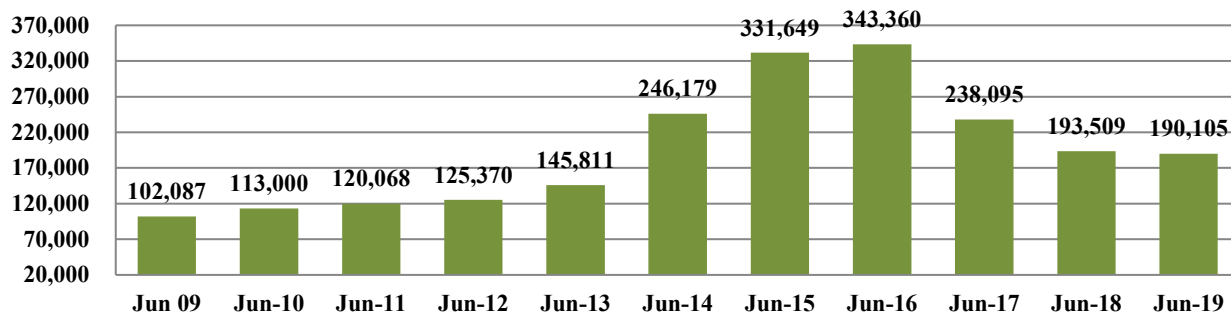
- Noble and Talbert – January 2008
- AltaMed – March 2014
- Prospect* – May 2007 to June 2017
- Arta and UCMG – July 2008
- Monarch* – July 2008 to January 2017

* Monarch became an HMO group in February 2017. Prospect became an HMO group in July 2017.

Enrollment

SRGs are serving approximately 190,000 members. It represents about 25% of CalOptima's Medi-Cal enrollment.

**Medi-Cal Shared Risk Groups (SRG)
Enrollment**



Pool Performance - (Medi-Cal Classic + Expansion)

Period	Gross Deficit	Gross Surplus	CalOptima Share (40%)	Group Share (60%)	Number of SRGs		
					Total	In Deficit	In Surplus
2007	\$ (729,095)	\$ -	\$ (573,542)	\$ (155,553)	1	1	0
2008	(534,826)	618,829	247,532	(163,529)	3	1	2
2009	(6,786,764)	623,088	(2,465,470)	(3,698,206)	6	3	3
2010	(5,890,543)	1,636,861	(1,701,473)	(2,552,209)	6	4	2
2011	(5,127,172)	5,042,040	(34,053)	(51,079)	6	3	3
2012	(1,688,610)	7,574,810	2,354,480	3,531,720	6	3	3
One-Time Revenue		17,233,958	12,917,452	4,316,506	6	3	3
2013	(1,568,113)	10,019,190	3,372,857	5,078,220	6	1	5
2014	-	57,808,875	23,123,550	34,685,325	7	0	7
2015	-	358,004,843	143,201,937	214,802,906	7	0	7
2016	-	403,275,493	161,310,197	241,965,296	7	0	7
2017	-	296,558,588	118,623,435	177,935,153	7	0	7

Shared Risk Pool Performance Update

Page 2

Period	Gross Deficit	Gross Surplus	CalOptima Share (40%)	Group Share (60%)	Number of SRGs		
					Total	In Deficit	In Surplus
2018	-	106,814,479	42,725,791	64,088,687	5	0	5
2019Q4	-	90,578,954	36,231,581	54,347,372	5	0	5
	\$(22,325,123)	\$ 1,355,790,008	\$ 539,334,275	\$ 794,130,609			

Note: IBNR is calculated based on the paid claims experience.

OneCare: As of June 30, 2019, OneCare has eight (8) Participating Medical Groups (PMGs).

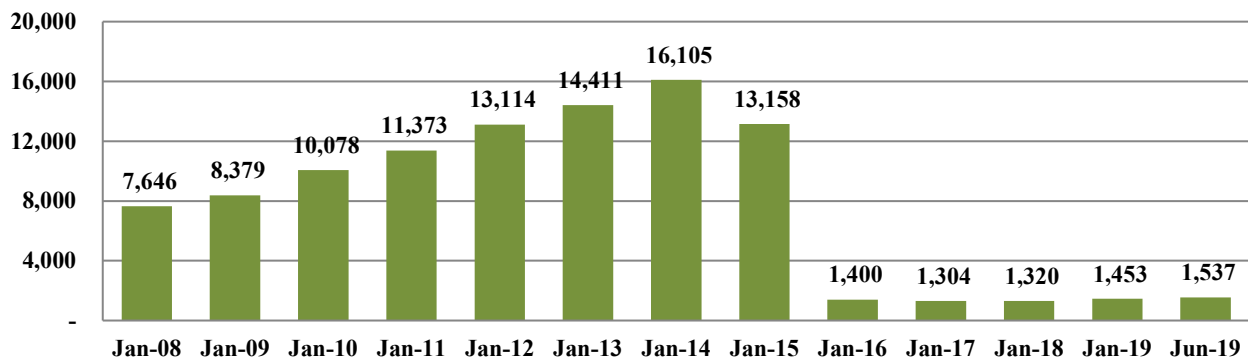
Effective Dates:

- AMVI/Prospect – October 2005
- Talbert and Monarch – October 2005
- Noble – December 2012
- Family Choice – October 2005
- AltaMed – August 2008
- Arta and UCMG – January 2013

Enrollment

Overall enrollment decrease due to transitioning of members from OneCare to OneCare Connect in January 2016.

**OneCare Shared Risk Groups (PMG)
Enrollment**



Pool Performance

CY	Gross Deficit	Gross Surplus	CalOptima Share (50%)	Group Share (50%)	Total	In Deficit	In Surplus
2005	\$(14,221)	\$163,580	\$67,920	\$81,435	4	1	3
2006	-	15,004,268	7,502,134	7,502,134	5	0	5
2007	(21,936)	3,759,945	1,859,817	1,878,193	8	2	6
2008	(491,522)	3,919,765	1,591,331	1,836,913	8	2	6
2009	(313,648)	5,643,332	2,525,933	2,803,751	9	2	7
2010	(566,705)	4,769,324	1,892,617	2,310,002	8	3	5
2011	-	9,406,281	4,703,141	4,703,141	8	0	8
2012	(433,732)	7,325,076	3,305,088	3,586,257	11	2	9
2013	(1,949,544)	11,124,918	4,015,560	5,159,814	13	2	11
2014	(3,485,139)	10,050,507	1,962,394	4,602,974	13	3	10
2015	(154,268)	10,372,797	5,050,405	5,168,124	8	1	7
2016	(508,749)	379,472	(288,034)	158,757	8	3	5

Shared Risk Pool Performance Update

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CY	Gross Deficit	Gross Surplus	CalOptima Share (50%)	Group Share (50%)	Total	In Deficit	In Surplus
2017	(331,174)	338,011	(132,217)	139,054	8	4	4
2018	(884,811)	916,977	(379,692)	411,858	8	3	5
2019Q2	(811,141)	122,526	(740,128)	51,513	8	4	4
	\$ (9,966,590)	\$ 83,296,779	\$ 32,936,269	\$ 40,393,919			

Note: Group share deficit limited to \$5.00 PMPM

OneCare Connect: As of June 30, 2019, OneCare Connect has six (6) Shared Risk Groups (SRGs).

Effective Dates:

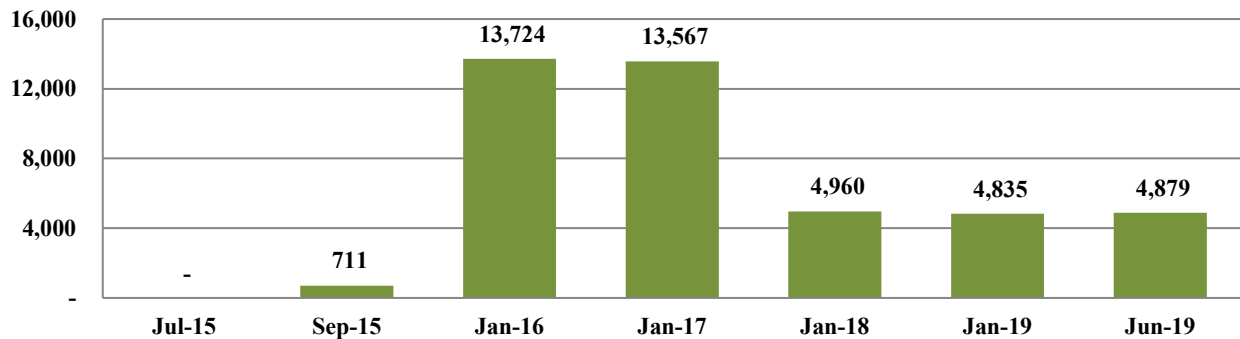
- Noble – July 2015
- UCMG – July 2015
- AltaMed – July 2015
- Monarch* – July 2015 to January 2017
- FCMG – January 2016
- Talbert – January 2016
- Arta Western – January 2016
- Prospect* – July 2015 to June 2017

* Monarch became an HMO group in February 2017. Prospect became an HMO group in July 2017.

Enrollment

SRGs are serving approximately 4,900 members. It represents about 34% of CalOptima’s OneCare Connect enrollment.

OneCare Connect Shared Risk Groups (SRG) Enrollment



Pool Performance

CY	Gross Deficit	Gross Surplus	CalOptima Share (50%)	Group Share (50%)	Total	In Deficit	In Surplus
2015	(261,199)	224,558	(121,755)	85,114	5	2	3
2016	(761,826)	20,200,150	9,372,994	10,065,330	8	1	7
2017	(1,437,672)	8,649,626	3,012,036	4,199,918	8	2	6
2018	-	8,628,566	4,314,283	4,314,283	6	0	6
2019Q2	(607,417)	3,230,839	1,024,842	1,598,579	6	1	5
	\$ (3,068,114)	\$ 40,933,739	\$ 17,602,400	\$ 20,263,224			

Note: Group share deficit limited to \$5.00 PMPM



**Board of Directors' Finance and Audit Committee Meeting
September 19, 2019**

Quarterly Reinsurance Report

Summary of Reinsurance Payments Made by CalOptima to Contracted Medi-Cal Providers for Policy Years (PY) 2017, 2018, and 2019

Reinsurance is an after-the-fact payment mechanism CalOptima provides that is intended to mitigate the financial impact of catastrophic claims on participating providers. CalOptima's policy allows participating providers through March 31st following the policy year end (i.e., June 30) to submit all reinsurance claims. CalOptima issues payment to providers within forty-five (45) business days after the quarter's end.

The figures reported below reflect the estimated results for PY 2017, PY 2018, and PY 2019 as of June 30, 2019.

	PY 2017	PY 2018	PY 2019
YTD Budgeted Reinsurance Expense @ 6/30/19	\$4,628,918	\$2,780,209	\$5,016,633
Reinsurance paid through 6/30/19	\$(3,912,268)	\$(4,038,889)	\$(956,114)
Estimated Reinsurance Accrual @ 6/30/19	\$0	\$(35,331)	\$(3,174,570)
Total Estimated Reinsurance Expense @ 6/30/19	\$(3,912,268)	\$(4,074,220)	\$(4,130,685)
YTD Budgeted Savings/(Deficit) @ 6/30/19	\$716,650	\$(1,294,011)	\$885,948

The total estimated liability at June 30, 2019, is \$3.2 million.

PY 2017 thresholds were \$13,000 for Professional and \$100,000 for Hospital; coinsurance level was at 10%.

PY 2018 and PY 2019 thresholds increased to \$17,000 for Professional and \$150,000 for Hospital, coinsurance level is at 20%.

Policy Years:

PY 2017 = Fiscal Year 2017 (July 1, 2016, through June 30, 2017)

PY 2018 = Fiscal Year 2018 (July 1, 2017, through June 30, 2018)

PY 2019 = Fiscal Year 2019 (July 1, 2018, through June 30, 2019)

**Board of Directors' Finance and Audit Committee Meeting
September 19, 2019**

Quarterly Health Network Financial Update

On a quarterly basis, CalOptima reviews the unaudited financial statements of the capitated Physician Groups, Hospitals and HMOs that comprise CalOptima's Health Networks. After internal review, CalOptima's financial staff makes a determination as to whether the capitated entity has the ability to assume the risk of a capitated contract.

With the exception of one entity whose quarter-end financial statements ended as of January 31, 2019, all other Health Network entities were required to submit their unaudited financial statements for the period ending March 31, 2019.

Results of the March 31, 2019 Financial Review

	Physician Groups	Hospitals	HMOs
Total	9	4	4
Passed Review	9	4	4
Failed Review	0	0	0
On Notice	0	0	0
Did Not Submit Statements	0	0	0

Note 1: Physician Groups and Hospitals must pass the following tests:

- a) Current Ratio - must be ≥ 1.0
- b) Tangible Net Equity - must be ≥ 1.0
- c) Cash to Claims Ratio - must be ≥ 0.75

Note 2: HMOs must pass the following test:

- a) Tangible Net Equity - Greater of \$1M, % of premium revenues, or % of healthcare expenses

Note 3: Financial Security Reserves:

- a) Medi-Cal, OneCare, and OneCare Connect Total Current Balance = \$18.7M

Contingency Contract Report

CalOptima Active Contingency Contracts		Q4 FY19		invoiced as of 7/30/2019														
Quarterly & Annual Medical Cost Savings or Additional Revenue and Fees Paid																		
	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19							
	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total			
MEDICAL COST																		
<i>HMS - Coordination of Benefits i.e. ensure Medi-Cal is the payor of last resort - (expires 5/14/2020)</i>																		
Savings	\$ 1,189,393	\$ 2,811,751	\$ 1,937,748	\$ 2,565,125	\$ 2,346,048	\$ 1,444,807	\$ 3,336,995	\$ 3,954,564	\$ 4,067,881	\$ 5,864,338	\$ 1,720,384	\$ 863,127	\$ 1,390,145	\$ 889,455	\$ 4,863,112			
Fee	\$ 297,348	\$ 702,938	\$ 484,359	\$ 641,281	\$ 586,762	\$ 361,202	\$ 794,557	\$ 909,550	\$ 935,613	\$ 1,348,798	\$ 395,688	\$ 198,519	\$ 319,733	\$ 204,575	\$ 1,118,516			
Net Savings	\$ 892,045	\$ 2,108,813	\$ 1,453,389	\$ 1,923,843	\$ 1,759,286	\$ 1,083,605	\$ 2,542,438	\$ 3,045,014	\$ 3,132,268	\$ 4,515,540	\$ 1,324,696	\$ 664,608	\$ 1,070,412	\$ 684,880	\$ 3,744,596			
<i>Cotiviti (Verscend/Verisk/HCI) - Claims review for appropriate billing - (expires 10/07/2021)</i>																		
Savings	\$ 164,913	\$ 2,397,831	\$ 3,385,560	\$ 2,517,497	\$ 2,817,113	\$ 2,647,841	\$ 3,562,859	\$ 3,524,096	\$ 2,690,597	\$ 2,571,045	\$ 736,990	\$ 902,582	\$ 1,561,753	\$ 1,281,458	\$ 4,482,782			
Fee	\$ 37,165	\$ 483,209	\$ 691,554	\$ 559,136	\$ 595,632	\$ 727,333	\$ 1,371,137	\$ 638,601	\$ 393,455	\$ 580,345	\$ 184,248	\$ 207,594	\$ 296,733	\$ 243,477	\$ 932,051			
Net Savings	\$ 127,748	\$ 1,914,622	\$ 2,694,006	\$ 1,958,361	\$ 2,221,482	\$ 1,920,508	\$ 2,191,722	\$ 2,885,495	\$ 2,297,143	\$ 1,990,700	\$ 552,743	\$ 694,988	\$ 1,265,020	\$ 1,037,981	\$ 3,550,731			
<i>Verscend (Verisk/HCI)/ TAG - Facility claims forensic review - (services terminated 12/31/17)</i>																		
Savings			\$ 900,976	\$ 1,362,980	\$ 3,516,297	\$ 3,727,308	\$ 16,538,781	\$ 3,726,475	\$ 4,068,735	\$ 1,234,305					\$ -			
Fee			\$ 270,293	\$ 408,904	\$ 1,054,889	\$ 1,118,193	\$ 2,008,000	\$ 791,798	\$ 1,140,356	\$ 308,576					\$ -			
Net Savings			\$ 630,683	\$ 954,076	\$ 2,461,408	\$ 2,609,114	\$ 14,530,781	\$ 2,934,678	\$ 2,928,380	\$ 925,729	\$ -	\$ -	\$ -	\$ -	\$ -			
<i>Varis - Facility claims forensic review - (expires 9/24/2020)</i>																		
Savings												\$ 536,895	\$ 980,318	\$ 1,539,862	\$ 3,057,075			
Fee												\$ 134,224	\$ 245,080	\$ 384,965	\$ 764,269			
Net Savings											\$ -	\$ 402,671	\$ 735,239	\$ 1,154,896	\$ 2,292,806			
<i>OptumInsight - Credit balance recovery - (expires 12/31/2021)</i>																		
Savings				\$ 76,715	\$ 26,203	\$ 30,246	N/A	\$ 44,834	\$ 404,824	\$ 154,308	\$ 84,433	\$ 10,895	\$ 298,604	\$ 328,646	\$ 722,578			
Fee				\$ 9,206	\$ 3,144	\$ 3,630	N/A	\$ 5,380	\$ 48,579	\$ 18,517	\$ 10,132	\$ 1,307	\$ 35,832	\$ 39,438	\$ 86,709			
Net Savings				\$ 67,509	\$ 23,059	\$ 26,616		\$ 39,454	\$ 356,245	\$ 135,791	\$ 74,301	\$ 9,588	\$ 262,772	\$ 289,208	\$ 635,869			
TOTAL																		
Savings	\$ 1,354,306	\$ 5,209,582	\$ 6,224,285	\$ 6,522,317	\$ 8,705,661	\$ 7,850,202	\$ 23,438,635	\$ 11,249,969	\$ 11,232,038	\$ 9,823,995	\$ 2,541,807	\$ 2,313,499	\$ 4,230,820	\$ 4,039,421	\$ 13,125,547			
Fee	\$ 334,514	\$ 1,186,146	\$ 1,446,206	\$ 1,618,527	\$ 2,240,427	\$ 2,210,357	\$ 4,173,694	\$ 2,345,328	\$ 2,518,002	\$ 2,256,236	\$ 590,068	\$ 541,644	\$ 897,378	\$ 872,455	\$ 2,901,545			
Net Savings	\$ 1,019,792	\$ 4,023,436	\$ 4,778,079	\$ 4,903,791	\$ 6,465,234	\$ 5,639,844	\$ 19,264,941	\$ 8,904,640	\$ 8,714,036	\$ 7,567,760	\$ 1,951,740	\$ 1,771,855	\$ 3,333,442	\$ 3,166,966	\$ 10,224,002			
REVENUE																		
<i>Human Arc - SSI Outreach & Aid Code Conversion - (expires 6/30/2020)</i>																		
Capitation Revenue				\$ 1,723,235	\$ 4,526,183	\$ 5,231,987	\$ 6,539,353	\$ 7,782,145	\$ 9,281,708	\$ 11,188,354	\$ 3,058,176	\$ 3,162,614	\$ 3,281,583	\$ 3,458,663	\$ 12,961,036			
Fee				\$ 501,700	\$ 345,100	\$ 285,650	\$ 232,092	\$ 301,556	\$ 360,018	\$ 350,084	\$ 98,000	\$ 100,800	\$ 138,600	\$ 176,400	\$ 513,800			
Total Net Revenue				\$ 1,221,535	\$ 4,181,083	\$ 4,946,337	\$ 6,307,261	\$ 7,480,589	\$ 8,921,690	\$ 10,838,270	\$ 2,960,176	\$ 3,061,814	\$ 3,142,983	\$ 3,282,263	\$ 12,447,236			